UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): May 16, 2011

Biozone Pharmaceuticals, Inc.
(Exact name of registrant as specified in its charter)

Nevada	333-146182	**20-5978559**
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

4400 Biscayne Blvd Suite 850 Miami, FL		33137
(Address of principal executive offices)		(Zip Code)

Registrant's telephone number, including area code: (800) 689-0930

(Former name or former address, if changed since last report)

Copies to:
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Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

CURRENT REPORT ON FORM 8-K

BIOZONE PHARMACEUTICALS, INC.

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Preliminary Statement

Biozone Pharmaceuticals, Inc. (the "Company," "we," "our") was incorporated under the laws of the State of Nevada on December 4, 2006. On March 1, 2011 we filed a Certificate of Amendment to our Articles of Incorporation in order to change our name to Biozone Pharmaceuticals, Inc. from International Surf Resorts, Inc., and on March 2, 2011 we issued a press release stating that we intended to pursue bio-pharmaceutical businesses and had entered into a letter of intent to acquire a specialty pharmaceuticals business.

We believe that as of March 31, 2011, we were a "shell" company, as defined by Rule 12b-2 of the Securities and Exchange Act of 1934, as amended (the "Exchange Act"). Accordingly, our Quarterly Report on Form 10-Q for the period ended March 31, 2011 will indicate that we were a shell company. We believe that we ceased being a "shell" company upon closing of the acquisition of Aero Pharmaceuticals, Inc ("Aero"), as more fully desecribed under Item 2.01 of this Current Report on Form 8-K, which followed the issuance by us of $2,250,000 of our secured convertible notes due September 29, 2011 (the "Bridge Notes") on March 29, 2011.

The foregoing descriptions do not purport to be complete and are qualified in their entirety by reference to the complete text of the Asset Purchase Agreement for Aero, which is filed as Exhibit 2.1 hereto, and our Current Reports on Form 8-K dated March 1, 2011 and March 31, 2011 with respect to our Bridge Notes, which are incorporated herein by reference.

On March 1, 2011, the Company's Board of Directors authorized a ten-for-one forward split of our outstanding common stock in the form of a dividend (the "Dividend"), whereby an additional nine shares of Common Stock were issued for each one share of common stock outstanding on March 11, 2011. The payment date of the Dividend was March 14, 2011. All per share and other share information contained in this Current Report on Form 8-K takes into account the effectiveness of the Dividend.

Prior to March 2011 we were generally seeking to engage in the business of operating an internet provider of international surf resorts, camps and guided surf tours.

Small Business Issuer. We will continue to be a "smaller reporting company," as defined in Item 10(f)(1) of Regulation S-K, under the Securities Act.

Item 2.01 Completion of Acquisition or Disposition of Assets

As used in this Current Report on Form 8-K, all references to "we," "our" and "us" for periods prior to the closing of the acquisition refer to Aero, as a privately owned company, and for periods subsequent to the closing of the Acquisition refer to the Company as acquiror of Aero.

Description of our Company

On May 16, 2011, we acquired the assets and assumed the liabilities of Aero Pharmaceuticals, Inc. ("Aero") a Florida corporation, pursuant to an Asset Purchase Agreement dated as of May 16, 2011 by and between the Company, Baker Cummins Corp., a Nevada corporation and our wholly-owned subsidiary, and Aero (the "APA" and the transaction, the "Asset Purchase") in a transaction intended to be tax-free for federal income tax purposes, as a "reorganization" within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations promulgated thereunder. The APA constitutes a plan of reorganization within the meaning of Treasury Regulations Section 1.368-2(g) and constitutes a plan of liquidation of Aero. As a result of the Asset Purchase, we acquired the business of Aero consisting of the manufacturing, marketing and distribution of dermatological products under the trade name of Baker Cummins Dermatologicals ("Baker Cummins"). In exchange for the Asset Purchase we issued 7,724,000 shares to Aero of our restricted common stock, and agreed that within five days of delivery of a closing date balance sheet, we will issue one additional share of common stock for each dollar by which cash and cash equivalents plus accounts receivable net exceed Aero's accounts payable and accrued liabilities on the closing date balance sheet, and assumed liabilities of Aero on the closing date. In addition, under the terms of the Asset Purchase, if Aero sells any of our shares in order to make any payment to dissenting

shareholders, or related taxes or expenses, we agreed to issue to Aero one additional share for each share sold, up to an additional 7,500,000 shares. Shareholders of Aero may elect, within 20 days of receipt of notice from Aero, to receive the fair value of their Aero shares paid in cash. At least 70% of Aero's shareholders have voted to approve the sale. Aero has approximately 220 shareholders and is expected to liquidate prior to December 31, 2011. We have agreed to file a registration statement for Aero within four months after the closing (September 16, 2011) and to use our best efforts to cause the registration statement to be declare effective by the SEC within seven months of closing (December 16, 2011), and are subject to liquidated damages of 1% per month (5% maximum) for failure to meet these requirements.

Under the APA we acquired the following products and brands, marketed under the Baker Cummins brand:

- P&S Liquid
- P&S Shampoo
- Ultra Mide 25 Lotion
- Ultra Mide-D
- X-Seb T Pearl Shampoo
- X-Seb T Plus Shampoo and
- Acquaderm Cream

Our rights include: (i) all rights to manufacture, distribute, market and sell the Baker Cummins Assets, (ii) all trademarks, marketing materials, training materials, market data, clinical data, research data, regulatory data, adverse event data, trade dress information and product labeling data associated with the Baker Cummins assets, (iii) all outstanding customer purchase orders for the Baker Cummins assets, (iv) all contracts relating to the Baker Cummins Assets, (v) all of Aero's existing inventory of the Baker Cummins Assets, (vi) all cash and cash equivalents, (vii) all accounts or notes receivable held by Aero, (viii) all furniture, fixtures, equipment and machinery, books and records related to the Baker Cummins assets, (ix) all technological, scientific, chemical, biological, pharmaceutical, toxicological, regulatory and clinical trial materials and information relating to the Baker Cummins Assets, and (x) all information owned or licensed by Aero relating to specifications and test methods, raw materials, packaging instructions, master formulas, validation reports, stability data, analytical methods, records of complaints, annual product reviews and other master documents necessary for the manufacture, control and release of the Baker Cummins Assets.

Tax Treatment. The acquisition of Aero is being accounted for under the acquisition method of accounting because no change of control of the Company occurred. The Company is deemed the acquirer of Aero for financial reporting purposes and Aero is deemed the acquired company. Consequently, the financial statements of the Company will include the assets, liabilities and operations of Aero from the date of acquisition and the purchase price of Aero will be allocated to the fair value of the tangible and intangible assets acquired and liabilities assumed. Any excess cost will be accounted for as goodwill. The APA also constitutes a plan of liquidation of Aero under Section 368 of the Code. Aero is expected to liquidate on or prior to December 31, 2011, provided the date of such liquidation is under the control of Aero, not the Company. We have agreed to file a registration statement under the Securities Act of 1933, as amended (the "Securities Act") in connection with liquidatin of Aero and distribution of Aero shares to its shareholders, within four months of the closing and agreed to use our best efforts to cause such registration to be declared effective within seven months follosing the closing date. We hgave agree to pay liquidated damages of 1% per mo.nth, up to a maximum of 5%, in the event that we fail to file or are unable to cause the registration statement to be declared effective. Our shareholders will not be entitled to rely on Rule 144 of the Securities Act(including Aero and any Aero shareholders who receive our shares upon the liquidation of Aero), until the one year anniversary of the date of filing of this Current Report on Form 8-K, provided the other requirements of Rule 144 as in effect at the time of transfer have also been satisfied.

Related Party Interests:

Phillip Frost, M.D., through Frost Gamma Investments Trust, beneficially owned approximately 46% of Aero's issued and outstanding capital stock, Roberto Prego-Novo, our President and sole director, owned approximately 23% of Aero's issued and outstanding capital stock through Olyrca Trust. Each of Dr. Frost and Mr. Prego-Novo beneficially own approximately 11% and 6%, respectively (excluding, with respect to Mr. Prego-Novo, 1,000,000 shares of which he disclaims ownership), of our issued and outstanding capital stock following the Asset Purchase. Dr. Frost acquired his shares in February and March, 2011 for approximately $0.027 per share and Mr. Prego-Novo acquired his shares in March 2011 for approximately $0.03 per share. These prices were negotiated at arms length when we had no viable business and prior to the acquisition of Aero and prior to a final letter of intent with Biozone Laboratories shareholders. Mr. Steven D. Rubin, a director of Aero and executive of the Frost Group, owns 30,000 of our shares which he acquired for $0.05 per share. These ownership percentages will be subject to further dilution if the BioZone Laboratories acquisition is consummated.

The foregoing description does not purport to be complete and is qualified in its entirety by reference to the complete text of the Asset Purchase Agreement, Assignment and Assumption Agreement and Bill of Sale, which are filed as Exhibit 10.1, 10.2 and 10.3, respectively, hereto and which are incorporated herein by reference.

Changes to the Business. We intend to carry on the business of Aero as our primary line of business. We intend to pursue additional opportunities in medical and pharmaceutical technologies and products. We do not intend to continue our surf resort business other than for the purposes of sale or winding down of such business. For information related to our former business and Risk Factors related thereto, please see our Annual Report on Form 10-K, for the fiscal year ended December 31, 2010.

Description of Our Business

Overview

We are a manufacturer of dermatological-based pharmaceutical products, located in Miami, Florida. Our principal business consists of marketing lines of dermatological products under the trade name of Baker Cummins Dermatologicals.

Baker Cummins markets a line of proprietary scalp and skin care products that can be used to treat dry commonly seen skin and scalp conditions. Our products are sold over the counter ("OTC") and include liquids and lotions. We outsource our research and development, and manufacturing, and concentrate our efforts on the marketing of our products.

Dermatological Products

Our product portfolio consists of the following:

- ***P&S Liquid***

We market P&S Liquid as a treatment for symptoms of psoriasis and seborrhea dermatitis by helping to loosen and remove dried skin from the scalp.

- ***P&S Shampoo***

We market P&S Shampoo as a specially formulated shampoo designed to remove residual P&S Liquid from the hair. It contains salicylic acid to control recurrent flaking and scaling of the scalp associated with seborrheic dermatitis and psoriasis.

- ***Ultramide 25 Lotion and Ultra Mide-D***

We market Ultramide 25 Lotion and Ultramide D as skin lotions that soften and moisturize dry, rough, cracked and calloused skin. Ultramide 25 contains a stable 25% urea formulation.

- ***X-Seb T Pearl Shampoo and X-Seb T Plus Shampoo***

We market X-Seb T Pearl Shampoo and X-Seb T Plus Shampoo as therapeutic tar shampoos that relieve itching, irritation, redness, flaking and scaling associated with dandruff, seborrheic dermatitis and psoriasis of the scalp.

- ***Acquaderm Cream***

We market Aquaderm Cream as a hypoallergenic, non-comedogenic and non-greasy concentrated facial formula that provides maximum moisturization of the skin.

Growth Strategy

Our growth strategy is based on the following:

- Increase sales of our products by adding new customers and selling additional products to existing customers
- Develop line extensions of existing products to increase sales
- Reformulate existing products to increase effectiveness and generate additional sales

- Expand manufacturing capability by aligning ourselves with additional third party manufacturers, thereby reducing backorders of products and increasing sales
- Develop, acquire and/or in-license new branded dermatological products for sale to our customers
- Acquire businesses that can contribute to our growth strategy
- Establish co-marketing agreements with strategic partners.

Research and Development

We have limited ongoing research and development activities. We intend to acquire new products primarily through strategic arrangements with other pharmaceutical companies.

Customers and Marketing

We market our products via the internet. In addition, we sell our products to drug wholesalers and medical parties located throughout the United States. We are dependent on three customers for a significant portion of our business. Approximately 50% of our revenue is generated by sales of products to these customers. If any of these three customers discontinues or substantially reduces its purchases from us, it may have a material adverse effect on our business and financial condition. We believe, however, that we have good relationships with our customers.

We have agreements with our customers, which include prompt payment discount, and various fee and rebate obligation arrangements. Our agreements do not require customers to purchase any specific volumes of our products. During each of the years ended December 31, 2010 and 2009, sales returns, rebates and allowances have been approximately 11% of sales. Rebate and allowances can be a material obligation for pharmaceutical and medical product companies and may increase in the future.

We market our brands using various marketing strategies, including the use of the internet as a vehicle to promote our brands and to emphasize our goal of bringing new advances in dermatological therapy to assist in patient care.

We are seeking to complement the Baker Cummins Assets with additional products as well as licensing rights to proprietary products and technologies for development and commercialization. We may establish co-development and co-marketing agreements with strategic partners from time to time.

Facilities

Our facilities are located in Miami, Florida. Currently, we outsource our manufacturing requirements to a single vendor, the loss of which would not have a material adverse effect on our business and results of operations. We believe our relationship with our vendor is good and that other vendors could produce our products in the event we lost our relationship with our vendor.

Competition

The market for OTC dermatological products is highly competitive. Our direct competition consists of numerous drug manufacturers, many of which have greater financial and other resources than we do. If one or more other pharmaceutical manufacturers significantly reduce their prices in an effort to gain market share, our profitability or market position could be adversely affected.

Government Regulation

FDA Oversight

Our products are subject to regulation by a number of Federal and state governmental agencies. In particular, the FDA maintains oversight of distribution of our products. In addition, certain of our suppliers are subject to similar regulations and periodic inspections.

The FDA has extensive enforcement powers, including the power to seize noncomplying products, to seek court action to prohibit their sale and to seek criminal penalties for noncomplying manufacturers. Although it has no statutory power to force the recall of products, the FDA usually accomplishes a recall as a result of the threat of judicially imposed seizure, injunction and/or criminal penalties.

Product Liability

The sale of pharmaceutical products can expose the manufacturer or marketer of such products to product liability claims by consumers. A product liability claim, if successful and in excess of our insurance coverage, could have a material adverse effect on our financial condition. We maintain product liability insurance policies which provide coverage in the amount of $1.0 million per claim and $2.0 million in the aggregate.

Order Backlog

From time to time we have suffered shortages and backlog orders of products. Shortages and our inability to produce product through our outsourced vendors would have a material adverse effect on our business and results of operations.

Properties

The Company leases 1,754 square feet of office and warehouse space at 621 West 20th Street, Miami, Florida. The lease expires on October 31, 2012. The Company believes the facility to be adequate for its present needs and for the near future.

Our rent expense for our Miami facility is as follows:

	Monthly	Yearly
Nov 1, 2009 - Oct 31, 2010	$1,928	$23,132
Nov 1, 2010- Oct 31, 2011	$1,995	$23,941
Nov 1, 2011 - Oct 31, 2012	$2,064	$24,779

Employees

Aero currently employs 1 full time employee who performs various sales, marketing and administration functions for Aero, and 2 part time officers of the Compamy.

Legal Proceedings

We are not involved in any pending legal proceeding or litigations and, to the best of our knowledge, no governmental authority is contemplating any proceeding to which we are a party or to which any of our properties is subject, which would reasonably be likely to have a material adverse effect on the Company.

Forward-Looking Statements

This Current Report on Form 8-K and other written and oral statements made from time to time by us may contain so-called “forward-looking statements,” all of which are subject to risks and uncertainties. Forward-looking statements can be identified by the use of words such as “expects,” “plans,” “will,” “forecasts,” “projects,” “intends,” “estimates,” and other words of similar meaning. One can identify them by the fact that they do not relate strictly to historical or current facts. These statements are likely to address our growth strategy, financial results and our ability to develop or acquire new products, conduct research that will prove successful, or fund such efforts with or without partners. One must carefully consider any such statement and should understand that many factors could cause actual results to differ from our forward looking statements. These factors may include inaccurate assumptions and a broad variety of other risks and uncertainties, including some that are known and some that are not. No forward looking statement can be guaranteed and actual future results may vary materially.

Information regarding market and industry statistics contained in this Report is included based on information available to us that we believe is accurate. It is generally based on industry and other publications that are not produced for purposes of securities offerings or economic analysis. We have not reviewed or included data from all sources, and cannot assure investors of the accuracy or completeness of the data included in this Report. Forecasts and other forward-looking information obtained from these sources are subject to the same qualifications and the additional uncertainties accompanying any estimates of future market size, revenue and market acceptance of products and services. We do not assume any obligation to update any forward-looking statement. As a result, investors should not place undue reliance on these forward-looking statements.

Management's Discussion and Analysis of Financial Condition and Results of Operations

This discussion should be read in conjunction with the other sections of this Current Report on Form 8-K, including "Risk Factors," "Description of Our Business" and the Financial Statements attached hereto as Item 9.01 and the related exhibits. The various sections of this discussion contain a number of forward-looking statements, all of which are based on our current expectations and could be affected by the uncertainties and risk factors described throughout this Report as well as other matters over which we have no control. See "Forward-Looking Statements." Our actual results may differ materially.

The following discussion and analysis of financial condition and results of operations relates to the operations and financial condition reported in the financial statements of Aero Pharmaceuticals, Inc. for the years ended December 31, 2010 and 2009 and should be read in conjunction with such financial statements and related notes included in this report. Those statements in the following discussion that are not historical in nature should be considered to be forward-looking statements that are inherently uncertain. Actual results and the timing of events may differ materially from those contained in these forward-looking statements due to a number of factors, including those discussed in the "Cautionary Note on Forward-Looking Statements" set forth above.

Company Overview

Prior to March 2011 we were generally seeking to engage in the business of operating as an internet- provider of international surf resorts, camps and guided surf tours. Presently, we manufacte market and sell dermatological-based pharmaceutical products. We were incorporated in 2006.

We utilize the trade-name Baker Cummins for our proprietary scalp and skin care products sold under the brands P&S Liquid, P&S Shampoo, Ultra Mide 25, Ultra Mide D, X-Seb T Pearl and X-Seb T Plus. These products have been recommended by dermatologist for over 20 years.

Our products are sold over the counter ("OTC") and include liquids and lotions. We operate through a "virtual company" structure, outsourcing R&D and manufacturing, while concentrating on the marketing of OTC dermatological products.

Results of Operations

Years Ended December 31, 2010 and 2009

Net sales

Net sales decreased by $164,802, from $460,181 for the year ended December 31, 2009 compared to $295,379 for the year ended December 31, 2010. This decrease of 35.8% was primarily attributable to a decrease in marketing efforts and reduced inventory of our Ultramide products, which reduced sales.

Cost of Goods Sold and Gross profit

Cost of sales (exclusive of shipping, handling and royalty expenses) for the year ended December 31, 2010 was $92,139 compared to the cost of sales of $178,904 for the year ended December 31, 2009 a decrease of $86,765 or 48%. Gross profit for the year ended December 31, 2010 was $203,240, compared to the gross profit of $281,277 for the year ended December 31, 2009, a decrease of $78,037.or 27%. The gross profit percentage for the year ended December 31, 2010 was 68.8%, compared to the gross profit of 61.1% for the year ended December 31, 2009.

Approximately $100,000 of the decrease in gross profit was attributed to the decrease in sales, which was offset by an increase in gross profit percentage of approximately 7.7%. The decrease in gross profit percentage in 2009 resulted from the destruction of approximately $58,000 of expired product.

Shipping and Handling

For the year ended December 31, 2010, shipping and handling expenses were $23,106 or 7.8% of net sales compared to $142,829 or 31.0% of net sales for the year ended December 31, 2009, representing a decrease of $119,723 or 83.8%. This decrease was due primarily to the decrease in sales.

Royalty Expense

For the year ended December 31, 2010, royalty expense was $28,455 or 9.6% of net sales compared to $56,033 or 12.1% of net sales for the year ended December 31, 2009, representing a decrease of $27,588 or 49%. This decrease resulted from a decrease in sales subject to royalties.

General and administrative expenses

General and administrative expenses were $219,902 for the year ended December 31, 2010, as compared to $549,495 for the year ended December 31, 2009, representing a decrease of $329,593 or 60.0%. This decrease was primarily due to the following cost reductions resulting primarily from our reduced marketing efforts and related functions: administration, $50,000; management fees, $60,000; legal fees, $90,000; payroll, $32,000; rent, $15,000; and sales & marketing $85,000.

Interest expense

Interest expense for late royalty payments was $32,484 for the year ended December 31, 2010, as compared to $11,253 for the year ended December 31, 2009, representing an increase of $21,231. The increase primarily was due to a recalculation of the rate used to calculate interest expense. In 2010, we increased the interest liability based on a more conservative interpretation of the royalty contract.

Net loss

Net loss for the year ended December 31, 2010 was $100,697 compared to a net loss of $257,390 for the year ended December 31, 2009, which included a gain on sale of investments of $220,943. Exclusive of this gain, the net loss for the year ended December 31, 2009 was $478,333.

Income tax benefit

No income tax benefit was provided for years ended December 31, 2010 and 2009 as the deferred tax resulting from the available net operating loss carry forwards was offset by a 100% valuation allowance due to uncertainties relating to their ultimate utilization.Impact of Inflation

Impact of Inflation

The impact of inflation upon our revenue and income/(loss) from continuing operations during each of the past two fiscal years has not been material to our financial position or results of operations for those years because we do not maintain significant inventories whose costs are affected by inflation.

Contractual obligations

We are committed under a non-cancelable operating lease with a related party for office sand warehouse space. The lease expires on October 31, 2012. The rental commitment under this lease for years ending December 31, 2011 and 2012 are $$24,000 and $$21,000, respectively. Rent expense charged to operations was approximately $25,000 and $33,000 for the years ended December 31, 2010 and 2009, respectively.

Seasonality

Our business is not cyclical and does not have a clear pattern of seasonality.

Off-Balance Sheet Transactions

We have no material off-balance sheet transactions.

Royalty Obligation – Terminated

Aero was a party to an Asset Purchase Agreement (the "Ivax Agreement"), dated as of September 25, 2006, with Ivax Laboratories, Inc. pursuant to which Aero acquired the Baker Cummins product line. Aero agreed to pay to Ivax a 10% royalty on net sales, until $1 million is paid, and 5% thereafter. Royalty expense for the years ended December 31, 2010 and 2009 were $28,445 and $56,033, respectively. Aero had $278,460 of accrued royalties payable as of December 31, 2010. Upon payment of $224,000 for satisfaction of oustanding royalties, the Ivax Agreement was amended on April 25, 2011 to eliminate all continuing royalty oligations under the Agreement.

Critical Accounting Policies and Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect reported amounts and related disclosures in the financial statements. Management considers an accounting estimate to be critical if it requires assumptions to be made that were uncertain at the time the estimate was made, and changes in the estimate or different estimates that could have been selected could have a material impact on our consolidated results of operations or financial condition.

Revenue Recognition. We follow the guidance of the Securities and Exchange Commission's Staff Accounting Bulletin ("SAB") 104 for revenue recognition and Accounting Standards Codification ("ASC") Topic 605, "Revenue Recognition." Accordingly, we record revenue when persuasive evidence of an arrangement exists and product delivery has occurred, the selling price to the customer is fixed or determinable and collectability of the revenue is reasonably assured.

Our sole source of revenue is from the sale of dermatological products. The Company provides an allowance for various subsequent sales adjustments that the Company anticipates providing to various customers. Certain of the Company's customers are entitled to discounts and other adjustments in accordance with their agreements with the Company and the timing of their payments to the Company. The allowance for these adjustments is determined using a combination of historical data as well as customer-by-customer analysis for those customers entitled to receive certain adjustments. The Company records revenue net of this allowance.

Recently Issued Accounting Pronouncements

In January 2010, FASB issued ASU No. 2010-06 – Improving Disclosures about Fair Value Measurements. This update provides amendments to Subtopic 820-10 that requires new disclosure as follows: 1) Transfers in and out of Levels 1 and 2. A reporting entity should disclose separately the amounts of significant transfers in and out of Level 1 and Level 2 fair value measurements and describe the reasons for the transfers. 2) Activity in Level 3 fair value measurements. In the reconciliation for fair value measurements using significant unobservable inputs (Level 3), a reporting entity should present separately information about purchases, sales, issuances, and settlements (that is, on a gross basis rather than as one net number). This update provides amendments to Subtopic 820-10 that clarifies existing disclosures as follows: 1) Level of disaggregation. A reporting entity should provide fair value measurement disclosures for each class of assets and liabilities. A class is often a subset of assets or liabilities within a line item in the statement of financial position. A reporting entity needs to use judgment in determining the appropriate classes of assets and liabilities. 2) Disclosures about inputs and valuation techniques. A reporting entity should provide disclosures about the valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements. Those disclosures are required for fair value measurements that fall in either Level 2 or Level 3. The adoption of this guidance did not have a material impact on our consolidated financial statements.

In February 2010, FASB issued ASU No. 2010-9 –Amendments to Certain Recognition and Disclosure Requirements. This update addresses certain implementation issues related to an entity's requirement to perform and disclose subsequent-events procedures, removes the requirement that public companies disclose the date of their financial statements in both issued and revised financial statements. According to the FASB, the revised statements include those that have been changed to correct an error or conform to a retrospective application of U.S. GAAP. The adoption of this ASU did not have a material impact on our consolidated financial statements.

In March 2010, FASB issued ASU No. 2010-11 –Scope Exception Related to Embedded Credit Derivatives. Embedded credit-derivative features related only to the transfer of credit risk in the form of subordination of one financial instrument to another are not subject to potential bifurcation and separate accounting as clarified by recently issued FASB guidance. Other embedded credit-derivative features are required to be analyzed to determine whether they must be accounted for separately. This update provides guidance on whether embedded credit-derivative features in financial instruments issued by structures such as collateralized debt obligations (CDOs) and synthetic CDOs are subject to bifurcation and separate accounting. The guidance is effective at the beginning of a company's first fiscal quarter beginning after June 15, 2010. We do not expect the adoption of this ASU to have a material impact on our consolidated financial statements.

In April 2010, the FASB issued ASU No. 2010-13, Compensation – Stock Compensation: Effect of Denominating the Exercise Price of a Share-Based Payment Award in the Currency of the Market in Which the Underlying Equity Security Trades. ASU 2010-13 clarifies that a share-based payment award with an exercise price denominated in the currency of a market in which a substantial portion of the entity's equity securities trades should not be considered to contain a condition that is not a market, performance, or service condition. Therefore, such an award should not be classified as a liability if it otherwise qualifies as equity. ASU 2010-13 is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2010, with early adoption permitted. We are currently evaluating the potential impact of this standard.

Risk Factors

There are numerous and varied risks, known and unknown, that may prevent us from achieving our goals. If any of these risks actually occur, our business, financial condition or results of operation may be materially adversely affected. In such case, the trading price of our common stock could decline and investors could lose all or part of their investment.

Risks related to our business

We derive all of our net sales from our core branded products and any factor that hurts our sales of these products could reduce our revenues and profitability.

We derive a majority of our net sales from our core branded products, particularly P&S Liquid, P&S Shampoo, Ultra Mide 25 Lotion, Ultra Mide-D, Z-Seb T Pearl Shampoo, and X-Seb T Plus Shampoo. We believe that the net sales of these core products, and line extensions, if any, of such products, will constitute the majority of our overall net sales for the foreseeable future unless and until we can develop new products. Accordingly, any factor that hurts the sales of our core products, individually or collectively, could reduce our revenues and profitability.

We have yet to commence new product development and we may never successfully develop and commercialize any products beyond our current product portfolio.

Our current product portfolio consists of a line of proprietary scalp and skin care products that can be used to treat dry skin and scalp conditions commonly seen. We have yet to commence the development of new products. We have not yet successfully developed any of our new product candidates. We may fail to develop any additional products, successfully implement our business model and strategy or revise our business model and strategy should industry conditions and competition change. Even if we successfully develop one or more additional product candidates, the products may not generate sufficient revenues to enable us to be profitable. Furthermore, we cannot make any assurances that we will be successful in addressing these risks. If we are not, our business, results of operations and financial condition will be materially adversely affected.

Our future results of operations depend, to a significant degree, upon our ability to successfully develop and commercialize new OTC and generic prescription drugs and/or innovative pharmaceuticals.

We manufacture OTC drugs through third party service providers. All pharmaceutical products must meet regulatory standards and/or receive regulatory approvals. We must prove that the OTC, ANDA and generic prescription products that we intend to develop are bioequivalent to their branded counterparts, which typically requires bioequivalency studies or even more extensive clinical trials in the case of topical products. The development and commercialization process, particularly with respect to innovative products, is both time consuming and costly and involves a high degree of business risk. Products that we develop may not perform as expected, may be the subject of intellectual property challenges, necessary regulatory approvals may not be obtained in a timely manner, if at all, and we may not be able to successfully and profitably produce and market such products. Delays in any part of the process or our inability to obtain regulatory approval of our products could adversely affect operating results by restricting or delaying introduction of new products. For example, the FDA could impose higher standards and additional requirements, such as requiring more supporting data and clinical data than previously required, in order to gain FDA clearance to launch new formulations in to the market. Continuous introductions of new products and product categories are critical to our future business success. Product margins may decline over time due to the products' aging life cycles, changes in consumer choice or developments in drug delivery technology. Therefore, new product introductions are necessary for maintenance of our current financial condition, and if we fail to introduce and market new products, the effect on our financial results could be materially adverse.

We plan to develop our products by collaborating with third-parties and we face substantial competition in this endeavor. If we are not successful in establishing such third party collaboration arrangements, we may not be able to successfully develop and commercialize our products.

Our business strategy includes finding larger pharmaceutical companies with which to collaborate to support the research, development and commercialization of new product candidates. In trying to attract corporate partners to collaborate with us in the research, development and commercialization process, we face serious competition from other small biopharmaceutical companies. If we are unable to enter into such collaboration arrangements, our ability to proceed with the research, development, manufacture or sale of new product candidates may be severely limited. Even if we do enter into such collaborations, our partners may not succeed in developing or commercializing product candidates.

In order to achieve successful sales of new product candidates, the product candidates need to be accepted in the healthcare market by healthcare providers, patients and insurers. Lack of such acceptance will have a negative impact on any future sales.

Our future success is dependent upon the acceptance of our product candidates by health care providers, patients and health insurance companies, Medicare and Medicaid. Such market acceptance, if it were to occur, would depend on numerous factors, many of which are not under our control including regulatory approval, product labeling, safety and efficacy of our products, availability, safety, efficacy and ease of use of alternative products and treatments, the price of our drugs relative to the price of alternative products and treatments; and achieving reimbursement approvals from Medicare, Medicaid and private insurance providers.

We cannot guarantee that any of our product candidates or those developed by any of our future partners would achieve market acceptance. Additionally, we cannot guarantee that third-party payors, hospitals or health care administrators would accept any of the products we manufacture or in-license on a large-scale basis. We also cannot guarantee that we would be able to obtain approvals for indications and labeling for our products that will facilitate their market acceptance. Furthermore, unanticipated side-effects, patient discomfort, defects or unfavorable publicity of our drugs or other therapies based on a similar technology, could have a significant adverse effect on our effort to commercialize our lead or any subsequent drug candidates.

We have no research facilities. If we are not successful in developing our own research facilities or entering into research agreements with third party providers, our development efforts may be delayed.

Currently, we have no scientific research laboratory. In order to conduct our research efforts, we must utilize third party laboratory facilities. We cannot be sure that we will generate sufficient funds from product sales or fund raising activities to support research activities. Failure to accomplish this task would impede our efforts to conduct research to identify future product candidates, which would adversely affect our ability to generate revenue.

We have no manufacturing capabilities. If we are not successful in developing our own manufacturing capabilities or entering into third party manufacturing agreements or if third-party manufacturers fail to devote sufficient time and resources to our concerns, our clinical trials may be delayed.

Currently, we have no internal manufacturing capabilities for any of our product candidates. Our products are manufactured by a third party manufacturer in Canada. There can be no assurance that any of the current contractual arrangements between us and third party manufacturers will be continued or not breached or terminated early. There can be no assurance that we can identify and enter into contracts with replacement manufacturers if our current manufacturing arrangements are terminated. In addition, reliance on third party manufacturers could expose us to other risks, such as substandard performance, difficulties in achieving volume production and poor quality control or noncompliance with FDA and other regulatory requirements. Failure of our manufacturer to supply products to us could have material adverse effects on our business. If we decide to manufacture one or more product candidates ourselves, we would incur substantial start-up expenses and need to acquire or build facilities and hire additional personnel.

We selectively outsource some of our non-sales and non-marketing services, and cannot assure you that we will be able to obtain these services on acceptable terms.

To enable us to focus on our core marketing and sales activities, we selectively outsource non-sales and non-marketing functions, such as product and clinical research, manufacturing and warehousing. As we expand our activities in these areas, we expect to use additional financial resources. Typically, we do not enter into long-term contracts for our non-sales and non-marketing functions. Whether or not long-term contracts exist, we cannot assure you that we will be able to obtain these services or products in a timely fashion, on acceptable terms, or at all.

Confidentiality agreements with employees and others may not adequately prevent disclosure of our trade secrets and other proprietary information and may not adequately protect our intellectual property.

Our success depends in part upon the skills, knowledge and experience of our technical personnel, our consultants and advisors as well as our contractors. We rely in part on trade secrets to protect our proprietary technology and processes. However, trade secrets are difficult to protect. We enter into confidentiality and intellectual property assignment agreements with our corporate partners, employees, consultants, outside scientific collaborators, sponsored researchers and other advisors. These agreements generally require that the receiving party keep confidential and not disclose to third parties all confidential information developed by the receiving party or made known to the receiving party by us during the course of the receiving party's relationship with us. These agreements also generally provide that inventions conceived by the receiving party in the course of rendering services to us will be our exclusive property. However, these agreements may be breached and may not effectively assign intellectual property rights to us. Our trade secrets also could be independently discovered by competitors, in which case we would not be able to prevent use of such trade secrets by our competitors. The enforcement of a claim alleging that a party illegally obtained and was using our trade secrets could be difficult, expensive and time consuming and the outcome would be unpredictable. In addition, courts outside the United States may be less willing to protect trade secrets. The failure to obtain or maintain meaningful trade secret protection could adversely affect our competitive position.

In order to implement our business strategy, and to grow through in-licensing of products and other acquisitions and product enhancement, we may need additional financing.

Our ability to grow is dependent upon, and may be limited by, among other things, the availability of satisfactory financing arrangements. We may not be able to obtain the additional capital necessary to pursue our business strategy. In addition, even if we can obtain additional financing, that financing may not be on terms that are satisfactory to us. We intend to finance any new licensing or acquisitions from one or more of the following: positive cash flow from operations; new borrowings; or issuing equity securities. If we raise additional funds by issuing equity securities, our then-existing stockholders could experience dilution and the terms of any new equity securities may have preferences over our common stock.

We may be subject to product liability claims, and if we do not have adequate insurance coverage, we could face substantial losses and legal costs, and our reputation could suffer.

The testing, production, marketing, sale and use of our products exposes us to the risk that product liability claims may be asserted against us if it is believed that the use of our current products or testing of our future product candidates have caused adverse side effects or other injuries. If a product liability claim asserted against was successful, we also could also be required to limit sales of our existing products or commercialization of future product candidates or completely withdraw a product from the market. Regardless of merit or outcome, claims against us would likely result in significant diversion of our management's time and attention, expenditure of large amounts of cash on legal fees, expenses and damages and a decreased demand for our products and services. We may not be able to acquire or maintain insurance coverage at a reasonable cost or in sufficient amounts to protect us against these risks.

Risks related to our industry

We operate in a highly regulated industry. An inability to meet current or future regulatory requirements could have a material adverse effect on our business, financial position and operating results.

Several U.S. agencies regulate the manufacturing, processing, formulation, packaging, labeling, testing, storing, distribution, advertising and sale of our products. Various state and local agencies also regulate these activities. Should we or one of our third party service providers used in the development or commercialization of products fail to adequately conform to these regulations and guidelines, there may be a material adverse impact on our operating results. Similarly, failure by our suppliers to comply with manufacturing, quality and testing guidelines and regulations could have a significant adverse impact on our operating results.

Our industry is highly competitive. Competitors could cause pricing declines or loss of market share which could cause material adverse effects on our business, financial position and results of operations.

We face competition from other pharmaceutical manufacturers that potentially threatens the commercial acceptance and pricing of our products, which could have a material adverse effect on our business, financial position and results of operations. Competitors which compete with us on multiple products include Johnson and Johnson and Procter and Gamble. Each of these competitors is larger than we are and has the ability to price products more competitively than we do. These competitors may reduce prices on products that we currently market which would force us to lower our price or could cause us to lose market share.

Failure to comply with government regulations could affect our ability to operate our business.

Virtually all aspects of our activities are regulated by federal and state statutes and government agencies. The research, manufacturing, processing, formulation, packaging, labeling, distribution, advertising and marketing of our products, and disposal of waste products arising from these activities, are subject to regulation by one or more federal agencies, including the FDA, the Federal Trade Commission, the Consumer Product Safety Commission, the United States Department of Agriculture, the Occupational Safety and Health Administration, and the Environmental Protection Agency, as well as by foreign governments in countries where we distribute some of our products.

Noncompliance with applicable FDA or other government policies or requirements could subject us to enforcement actions, such as suspensions of distribution, seizure of products, product recalls, fines, “whistleblower” lawsuits, criminal penalties, injunctions, failure to approve pending drug product applications or withdrawal of product marketing approvals. Similar civil or criminal penalties could be imposed by other government agencies or various agencies of the states and localities in which our products are manufactured, sold or distributed and could have ramifications for our contracts with government agencies. These enforcement actions would detract from management’s ability to focus on our daily business and would have an adverse effect on the way we conduct our daily business, which could severely impact future profitability.

Risks related to our common stock

Our operating results and financial condition may fluctuate which could negatively affect the price of our stock.

Our operating results and financial condition may fluctuate from quarter to quarter and year to year depending upon the relative timing of events or uncertainties that may arise. The following events or occurrences, among others, could cause fluctuations in our financial performance from period to period, which could negatively affect the price of our stock:

- changes in the amount we spend to develop, acquire or license new products, technologies or businesses;
- delays between our expenditures to acquire new products, technologies or businesses and the generation of revenues from those acquired products, technologies or businesses, including delays in the regulatory approval process for new products;
- increases in the cost of raw materials used to manufacture our products;
- manufacturing and supply interruptions, including any failure by our manufacturers to comply with manufacturing specifications;
- development of new competitive products by others;
- the mix of products that we sell during any time period;
- our responses to price competition;
- market acceptance of our products;
- implementation of new or revised accounting, securities, tax or corporate responsibility rules, policies, regulations or laws;
- acquisitions and financings;
- expenditures as a result of legal actions;
- lack of effectiveness of our sales and marketing endeavors; and
- our level of research and development activities.

We may sell equity securities in the future, which would cause dilution.

We may sell equity securities in the future to obtain funds for general corporate or other purposes. We may sell these securities at a discount to the market price. Any future sales of equity will dilute the holdings of existing stockholders, possibly reducing the value of their investment.

We cannot assure you that our common stock will become listed on the American Stock Exchange, Nasdaq or any other securities exchange.

We plan to seek listing of our common stock on the American Stock Exchange or NASDAQ in the future. However, we currently fall far below the initial listing standards of those exchanges and there are no assurances that we will be able to meet the initial listing standards of either of those or any other stock exchange, or that we will be able to maintain a listing of our common stock on either of those or any other stock exchange. Until our common stock is listed on the American Stock Exchange or NASDAQ or another stock exchange, we expect that our common stock will continue to trade on the Over-The-Counter Bulletin Board, where an investor may find it difficult to dispose of our shares of common stock. In addition, we would be subject to an SEC rule that, if we failed to meet the criteria set forth in such rule, imposes various requirements on broker-dealers who sell securities governed by the rule to persons other than established customers and accredited investors. Consequently, this SEC rule may deter broker-dealers from recommending or selling the common stock, which may further affect its liquidity. This circumstance could also make it more difficult for us to raise additional capital in the future.

We will incur increased costs as a result of being an operating public company.

As a public operating company, we will incur significant legal, accounting and other expenses not incurred by a private company. If our stock becomes listed on NASDAQ or another major exchange or if our total assets exceed $10 million at the end of any fiscal year, we will also incur additional compliance expenses. It may be time consuming, difficult and costly for us to develop and implement the additional internal controls, processes and reporting procedures required by the Sarbanes-Oxley Act of 2002, SEC proxy rules, other government regulations affecting public companies and/or stock exchange compliance requirements. We may need to hire additional financial reporting, internal auditing and other finance staff in order to develop and implement appropriate additional internal controls, processes and reporting procedures.

We have never paid nor do we expect in the near future to pay dividends.

We have never paid cash dividends on our capital stock and do not anticipate paying any cash dividends on our common stock for the foreseeable future.

Our business may require additional capital for continued growth, and our growth may be slowed if we do not have sufficient capital.

The continued growth and operation of our business may require additional funding for working capital. We may be unable to secure such funding when needed in adequate amounts or on acceptable terms, if at all. To execute our business strategy, we may issue additional equity securities in public or private offerings, potentially at a price lower than the market price at the time of such issuance. Similarly, we may seek debt financing and may be forced to incur significant interest expense. If we cannot secure sufficient funding, we may be forced to forego strategic opportunities or delay, scale back or eliminate operations, acquisitions, and other investments.

Our ability to obtain needed financing may be impaired by such factors as the condition of the economy and capital markets, both generally and specifically in our industry, and the fact that we are not profitable, which could impact the availability or cost of future financings. If the amount of capital we are able to raise from financing activities, together with our revenues from operations, is not sufficient to satisfy our capital needs, even to the extent that we reduce our operations accordingly, we may be required to cease operations.

If we fail to establish and maintain an effective system of internal control, we may not be able to report our financial results accurately or to prevent fraud. Any inability to report and file our financial results accurately and timely could have our reputation and adversely impact the trading price of our common stock.

Effective internal control is necessary for us to provide reliable financial reports and prevent fraud. If we cannot provide reliable financial reports or prevent fraud, we may not be able to manage our business as effectively as we would if an effective control environment existed, and our business and reputation with investors may be harmed. As a result, our small size and any current internal control deficiencies may adversely affect our financial condition, results of operation and access to capital. We have not performed an in-depth analysis to determine if failures of internal controls exist, and may in the future discover areas of our internal control that need improvement.

We are subject to financial reporting and other requirements for which our accounting and other management systems and resources may not be adequately prepared.

We are subject to reporting and other obligations under the Exchange Act, including the requirements of Section 404 of the Sarbanes-Oxley Act. Section 404 requires us to conduct an annual management assessment of the effectiveness of our internal controls over financial reporting. Beginning in 2011, we will be required to obtain a report by our independent auditors addressing these assessments annually. These reporting and other obligations will place significant demands on our management, administrative, operational and accounting resources. We anticipate that we may need to (i) upgrade our systems, (ii) implement additional financial and management controls, reporting systems and procedures, (iii) implement an internal audit function, and (iv) hire additional accounting, internal audit and finance personnel. If we are unable to accomplish these objectives in a timely and effective manner, our ability to comply with our financial reporting requirements and other rules that apply to reporting companies could be impaired. Any failure to maintain effective internal controls could have a negative impact on our ability to manage our business and on our stock price.

We may fail to qualify for continued listing on the OTC Bulletin Board, which could make it more difficult for investors to sell their shares.

Our common stock is quoted on the Over the Counter Bulletin Board ("OTCBB"). There can be no assurance that quotation of our common stock will be sustained. In the event that our common stock fails to qualify for continued quotation, our common stock could thereafter only be quoted on the "pink sheets." Under such circumstances, shareholders may find it more difficult to dispose of, or to obtain accurate quotations, for our common stock, and our common stock would become substantially less attractive to certain purchasers such as financial institutions, hedge funds and other similar investors.

Our Common Stock may be affected by limited trading volume and price fluctuation which could adversely impact the value of our Common Stock.

There has been limited trading in our common stock and there can be no assurance that an active trading market in our common stock will either develop or be maintained. Our common stock has experienced, and is likely to experience in the future, significant price and volume fluctuations which could adversely affect the market price of our common stock without regard to our operating performance. In addition, we believe that factors such as quarterly fluctuations in our financial results and changes in the overall economy or the condition of the financial markets could cause the price of our common stock to fluctuate substantially. These fluctuations may also cause short sellers to periodically enter the market in the belief that we will have poor results in the future. We cannot predict the actions of market participants and, therefore, can offer no assurances that the market for our common stock will be stable or appreciate over time.

Investor relations activities, nominal "float" and supply and demand factors may affect the price of our stock.

The Company expects to utilize various techniques such as non-deal road shows and investor relations campaigns in order to create investor awareness for the Company. These campaigns may include personal, video and telephone conferences with investors and prospective investors in which our business practices are described. The Company may provide compensation to investor relations firms and pay for newsletters, websites, mailings and email campaigns that are produced by third-parties based upon publicly-available information concerning the Company. The Company will not be responsible for the content of analyst reports and other writings and communications by investor relations firms not authored by the Company or from publicly available information. The Company does not intend to review or approve the content of such analysts' reports or other materials based upon analysts' own research or methods. Investor relations firms should generally disclose when they are compensated for their efforts, but whether such disclosure is made or complete is not under our control. In addition, investors in the Company may, from time to time, also take steps to encourage investor awareness through similar activities that may be undertaken at the expense of the investors. Investor awareness activities may also be suspended or discontinued which may impact the trading market our common stock.

The SEC and FINRA enforce various statutes and regulations intended to prevent manipulative or deceptive devices in connection with the purchase or sale of any security and carefully scrutinize trading patterns and company news and other communications for false or misleading information, particularly in cases where the hallmarks of "pump and dump" activities may exist, such as rapid share price increases or decreases. We, and our shareholders may be subjected to enhanced regulatory scrutiny due to the small number of holders who initially will own the registered shares of our common stock publicly available for resale, and the limited trading markets in which such shares may be offered or sold which have often been associated with improper activities concerning penny-stocks, such as the OTC Bulletin Board or the OTCQB Marketplace (Pink OTC) or pink sheets. Until such time as our restricted shares are registered or available for resale under Rule 144, there will continue to be a small percentage of shares held by a small number of investors, many of whom acquired such shares in privately negotiated purchase and sale transactions, that will constitute the entire available trading market. The Supreme Court has stated that manipulative action is a term of art connoting intentional or willful conduct designed to deceive or defraud investors by controlling or artificially affecting the price of securities. Often times, manipulation is associated by regulators with forces that upset the supply and demand factors that would normally determine trading prices. Since a small percentage of the outstanding common stock of the Company will initially be available for trading, held by a small number of individuals or entities, the supply of our common stock for sale will be extremely limited for an indeterminate amount of time, which could result in higher bids, asks or sales prices than would otherwise exist. Securities regulators have often cited factors such as thinly-traded markets, small numbers of holders, and awareness campaigns as hallmarks of claims of price manipulation and other violations of law when combined with manipulative trading, such as wash sales, matched orders or other manipulative trading timed to coincide with false or touting press releases. There can be no assurance that the Company's or third-parties' activities, or the small number of potential sellers or small percentage of stock in the "float," or determinations by purchasers or holders as to when or under what circumstances or at what prices they may be willing to buy or sell stock will not artificially impact (or would be claimed by regulators to have affected) the normal supply and demand factors that determine the price of the stock

Our Common Stock may be deemed a "Penny Stock", which would make it more difficult for our investors to sell their shares.

Our common stock may be subject to the "penny stock" rules adopted under Section 15(g) of the Exchange Act. The penny stock rules generally apply to companies whose common stock is not listed on The NASDAQ Stock Market or other national securities exchange and trades at less than $4.00 per share, other than companies that have had average revenue of at least $6,000,000 for the last three years or that have tangible net worth of at least $5,000,000 ($2,000,000 if the company has been operating for three or more years). These rules require, among other things, that brokers who trade penny stock to persons other than "established customers" complete certain documentation, make suitability inquiries of investors and provide investors with certain information concerning trading in the security, including a risk disclosure document and quote information under certain circumstances. Many brokers have decided not to trade penny stocks because of the requirements of the penny stock rules and, as a result, the number of broker-dealers willing to act as market makers in such securities is limited. If we remain subject to the penny stock rules for any significant period, it could have an adverse effect on the market for our securities. If our securities are subject to the penny stock rules, investors will find it more difficult to dispose of our securities.

Security Ownership of Certain Beneficial Owners and Management

The following tables set forth certain information as of May 16, 2011 regarding the beneficial ownership of our common stock, taking into account the consummation of the Asset Purchase, by (i) each person or entity who, to our knowledge, owns more than 5% of our common stock; (ii) our executive officers named in the Summary Compensation Table below; (iii) each director; and (iv) all of our executive officers and directors as a group. Unless otherwise indicated in the footnotes to the following table, each person named in the table has sole voting and investment power and that person's address is c/o Biozone Pharmaceuticals, Inc., 4400 Biscayne Boulevard, Miami, FL 33137. Shares of common stock subject to options, warrants, or other rights currently exercisable or exercisable within 60 days of May 16, 2011, are deemed to be beneficially owned and outstanding for computing the share ownership and percentage of the stockholder holding such options, warrants or other rights, but are not deemed outstanding for computing the percentage of any other stockholder.

Name of Beneficial Owner	Number of Shares Beneficially Owned	Percentage Beneficially Owned (1)(2)
5% Owners:		
ISR Investments LLC (2) 1097 Country Coach Dr., Suite 705 Henderson, Nevada 89002	12,548,001	27.6%
Aero Pharmaceuticals, Inc. 4400 Biscayne Boulevard Miami, FL 33137	7,724,000	17.0%
Frost Gamma Investments Trust (4) 4400 Biscayne Boulevard Miami, FL 33137	5,249,170	11.6%
Michael & Betsey Brauser (3) 4400 Biscayne Boulevard Miami, FL 33137	4,696,461	10.3%
Barry Honig 4400 Biscayne Boulevard Miami, FL 33137	3,032,582	6.7%
Olyrca Limited Partnership (5) 301 W. Hallandale Beach Boulevard Hallandale Beach FL 33009	2,500,000	5.5%
Executive Officers and Directors:		
Roberto Prego-Novo (5)	2,500,000	5.5%
All executive officers and directors as a group (1 person)	2,500,000	5.5%

(1) Based on 45,420,000 shares of our common stock issued and outstanding as of May 16, 2011.

(2) Santana Martinez has sole voting and investment control over the securities held by ISR Investments LLC. Santana Martinez, Michelle Neely and Michael Muellerleile are the members of ISR Investments LLC. Excludes 1,000,000 shares held by Timothy Neely, an affiliate of Michelle Neely, as to which ISR Investments LLC disclaims beneficial ownership. Pursuant to an escrow agreement 13,548,001 shares of our common stock held will be cancelled under certain circumstances following closing of the Aero Purchase.

(3) Includes 3,281,921 and 1,414,540, respectively, held by Michael and Betsy Brauser, JTTEN, and Grander Holdings Inc. 401K Profit Sharing Plan of which Michael Brauser is trustee.

(4) Dr. Phillip Frost has sole voting and investment control over the securities held by Frost Gamma Investments Trust.

(5) Mr. Prego-Novo, our sole officer and director, has sole voting and investment control over the securities held by Olyrca Limited Partnership. Excludes 1,000,000 shares of common stock as to which Mr. Prego-Novo disclaims beneficial ownership.

Executive Officers and Directors

The following persons are our executive officers and directors on May 12, 2011, and hold the positions set forth opposite their respective names.

Name	Age	Position
Roberto Prego-Novo	68	President, Secretary and Director

Roberto Prego-Novo

Mr. Novo has more than 35 years of experience as a senior executive in the pharmaceutical industry. Since 1974, Mr. Novo has served as the President of Laboratorios Elmor S.A., a Venezuelan pharmaceutical company. Mr. Novo served as the Vice President, Latin America, of Teva Pharmaceuticals Industries Limited from 2006 to 2010 and as the Vice President, Latin America, of IVAX Corporation from 2006 to 2008.

Our directors hold office until the earlier of their death, resignation or removal or until their successors have been qualified.

There are no family relationships between any of our directors and our executive officers.

Employment Agreements and Compensation

The Company has not entered into an employment agreement with Mr. Novo, its President.

Involvement in Certain Legal Proceedings

Except as set forth in the director and officer biographies above, to the Company's knowledge, during the past ten (10) years, none of the Company's directors, executive officers, promoters, control persons, or nominees has been:

- the subject of any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;
- convicted in a criminal proceeding or is subject to a pending criminal proceeding (excluding traffic violations and other minor offenses);
- subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities or banking activities; or
- found by a court of competent jurisdiction (in a civil action), the Commission or the Commodity Futures Trading Commission to have violated a federal or state securities or commodities law.

Executive Compensation

Summary Compensation Table

The table below sets forth, for the last two fiscal years, the compensation earned by our chief executive officer and chief financial officer. No other executive officer had annual compensation in excess of $100,000 during the last fiscal year.

Name and Principal Position	Year Ended	Salary ($)	Bonus ($)	Stock Awards ($)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)	Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($)	Total ($)
Roberto Prego-Novo*	2010	0	0	0	0	0	0	0	0
Eduardo Biancardi President, Secretary, CFO**	2010	0	0	0	0	0	0	0	0
	2009	0	0	0	0	0	0	0	0
Timothy Neely, Chief Operating Officer***	2010	0	0	0	0	0	0	0	0

*Appointed on February 24, 2011

**Resigned from all positions on February 24, 2011

***Resigned from all positions on February 22, 2011

Outstanding Equity Awards at Fiscal Year-End

There were no outstanding equity awards issued to our named executive officers as of December 31, 2010.

Director Compensation

Neither the Company nor Aero had compensation arrangements for members of its Board of Directors.

Stock Incentive Plan

As of December 31, 2010, the Company has not adopted a stock incentive plan.

Directors' and Officers' Liability Insurance

The Company has obtained directors' and officers' liability insurance insuring its directors and officers against liability for acts or omissions in their capacities as directors or officers, subject to certain exclusions. Such insurance also insures us against losses which we may incur in indemnifying our officers and directors. In addition, the Company may enter into indemnification agreements with key officers and directors and such persons shall also have indemnification rights under applicable laws, and the Company's Articles of Incorporation and Bylaws.

Board Independence

We currently have one director serving on our Board of Directors, Mr. Novo. We are not a listed issuer and, as such, are not subject to any director independence standards. Using the definition of independence set forth in the rules of the American Stock Exchange, Mr. Novo would not be considered an independent director of the Company.

Board Committees

We currently do not maintain any committees of the Board of Directors. Given our size and the development of our business to date, we believe that the board through its meetings can perform all of the duties and responsibilities which might be contemplated by a committee. Our board of directors is expected to appoint an audit committee, nominating committee and compensation committee, and to adopt charters relative to each such committee, in the near future. We intend to appoint such persons to the committees of the board of directors as are expected to be required to meet the corporate governance requirements imposed by a national securities exchange, although we are not required to comply with such requirements until we elect to seek listing on a national securities exchange, and we are under no obligation to do so.

Except as may be provided in our bylaws, we do not currently have specified procedures in place pursuant to which whereby security holders may recommend nominees to the Board of Directors.

Board Leadership Structure and Role in Risk Oversight

Although we have not adopted a formal policy on whether the Chairman and Chief Executive Officer positions should be separate or combined, we have traditionally determined that it is in the best interests of the Company and its shareholders to separate these roles. We believe it is in the best interest of the Company to have the Chairman and Chief Executive Officer roles separated because it provides for allows us to separate the strategic and oversight roles within our board structure.

Our Board of Directors is primarily responsible for overseeing our risk management processes. The Board of Directors receives and reviews periodic reports from management, auditors, legal counsel, and others, as considered appropriate regarding our company's assessment of risks. The Board of Directors focuses on the most significant risks facing our company and our company's general risk management strategy, and also ensures that risks undertaken by our company are consistent with the Board's appetite for risk. While the Board oversees our company, our company's management is responsible for day-to-day risk management processes. We believe this division of responsibilities is the most effective approach for addressing the risks facing our company and that our Board leadership structure supports this approach.

Code of Ethics

We have not yet adopted a Code of Ethics although we expect to as we develop our infrastructure and business.

Certain Relationships and Related Transactions

Except as described below, during the past three years, there have been no transactions, whether directly or indirectly, between the Company and any of its officers, directors or their family members, that exceeded $120,000.

Aero Pharmaceuticals, Inc.

Related Party Interests:

Phillip Frost, M.D., through Frost Gamma Investments Trust, beneficially owned approximately 46% of Aero's issued and outstanding capital stock, Roberto Prego-Novo, our President and sole director, owned approximately 23% of Aero's issued and outstanding capital stock through Olyrca Trust. Each of Dr. Frost and Mr. Prego-Novo beneficially own approximately 11% and 6%, respectively (excluding, with respect to Mr. Prego-Novo, 1,000,000 shares of which he disclaims ownership), of our issued and outstanding capital stock following the Asset Purchase. Dr. Frost acquired his shares in February and March, 2011 for approximately $0.027 per share and Mr. Prego-Novo acquired his shares in March 2011 for approximately $0.03 per share. These prices were negotiated at arms length when we had no viable business and prior to the acquisition of Aero and prior to a final letter of intent with Biozone Laboratories shareholders. Mr. Steven D. Rubin, a director of Aero and executive of the Frost Group, owns 30,000 of our shares which he acquired for $0.05 per share. These ownership percentages will be subject to further dilution if the BioZone Laboratories acquisition is consummated.

Shared Services

During 2010, Aero incurred expenses for accounting services provided by a different related entity. The aggregate expense incurred for these services totaled approximately $39,000 during the year ended December 31, 2010.

Operating Leases

Through October 31, 2009, Aero leased office space from a related party. Rent expense under this lease during 2009 was approximately $33,000.

Effective November 1, 2009, Aero entered into a lease for office and warehouse space from a second related party under a non-cancelable operating lease that expires October 31, 2012.

Management Fees

During 2009, Aero incurred expenses for management and administrative services provided by a related entity. The fees for these services totaled $60,000 during the year ended December 31, 2009.

During 2009, Aero incurred expenses for accounting services provided by a different related entity. The aggregate expense incurred for these services totaled approximately $39,000 during the year ended December 31, 2009.

Distribution Agreement

Aero had a distribution agreement with a shareholder to distribute a specific product. This agreement was terminated effective May 29, 2009 pursuant to the settlement agreement.

Biozone Pharmaceuticals, Inc.

Santana Martinez, one of our former directors, provided office space to us at no charge. Our financial statements will reflect, as occupancy costs, the fair market value of that space, which is approximately $150 per month. We treated the usage of the office space as additional paid-in capital and charged the estimated fair value rent of $150 per month to operations. We recorded total rent expense of $1,800 for the year ended December 31, 2010 and total rent expense of $1,800 for the year ended December 31, 2009.

We believe that each reported transaction and relationship is on terms that are at least as fair to us as would be expected if those transactions were negotiated with third parties.

There have been no other related party transactions, or any other transactions or relationships required to be disclosed pursuant to Item 404 of Regulation S-K.

Market Information

Our Common Stock is currently eligible for quotation on the Over the Counter Bulletin board under the symbol BZNE.OB.

The transfer agent for our common stock is Island Stock Transfer.

As of May 16, 2011, we had approximately 52 shareholders of record of our Common Stock (including Aero), including the shares held in street name by brokerage firms.

Dividend Policy. We have never declared or paid a cash dividend on our capital stock. We do not expect to pay cash dividends on our common stock in the foreseeable future. We currently intend to retain our earnings, if any, for use in our business. Any dividends declared in the future will be at the discretion of our board of directors and subject to any restrictions that may be imposed by our lenders.

Description of Capital Stock

Authorized Capital Stock

We have authorized 100,000,000 shares of capital stock, par value $0.001 per share, all of which are designated as common stock.

Capital Stock Issued and Outstanding

After giving effect to the Asset Purchase , we have issued and outstanding securities on a fully diluted basis:

- 45,422,000 shares of common stock;
- warrants to purchase that number of shares as described in “Bridge Warrants” below; and
- no options outstanding.

Common Stock

The holders of the Common Stock will be entitled to one vote per share. In addition, the holders of the Common Stock will be entitled to receive ratably such dividends, if any, as may be declared by our Board of Directors out of legally available funds; however, the current policy of our Board of Directors is to retain earnings, if any, for operations and growth. Upon liquidation, dissolution or winding-up, the holders of the Common Stock will be entitled to share ratably in all assets that are legally available for distribution. The holders of the Common Stock will have no preemptive, subscription, redemption or conversion rights.

Dividend Policy

We have not previously paid any cash dividends on our Common Stock and do not anticipate or contemplate paying dividends on our Common Stock in the foreseeable future. We currently intend to use all our available funds to develop our business. We can give no assurances that we will ever have excess funds available to pay dividends.

Bridge Notes

The Bridge Notes have an aggregate principal amount of $2,250,000 and mature on the earlier of September 29, 2011 or the closing date of the Target Transaction (which is defined as a transaction pursuant to which the Company will acquire one or more businesses or companies approved by the holders) financing (such earlier date, the “Maturity Date”). The entire principal amount and any accrued and unpaid interest shall be due and payable in cash on the Maturity Date. The Notes bear interest at the rate of 10% per annum.

The principal and interest shall not be prepaid except in connection with the consummation of the Target Transaction financing, in which case the holder may elect either to (i) convert all of the principal and accrued and unpaid interest then outstanding into the transaction securities at a price per share or unit, as the case may be, equal to 80% of the price at which such securities are sold or (ii) require the Company to repay the principal amount then outstanding and any accrued and unpaid interest in cash. In the event that the Note is not prepaid or converted prior to September 29, 2011, the Company shall pay to the holders (in the aggregate) a penalty fee of $100,000.

In the event that the Target Transaction has not closed on or prior to September 29, 2011, the Company shall pay to the holder 150% of any portion of the principal amount then outstanding plus all accrued and unpaid interest thereon.

Warrants

Bridge Warrants

The Bridge Warrants expire five years after the date of issue. The Bridge Warrants have an initial exercise price of 120% of the price of the Target Transaction financing (the "Financing Share Price"). The Bridge Warrant entitles the holder to purchase the number of shares of common stock and/or other securities, including units of securities, sold in the Target Transaction equal to the Bridge Warrant Coverage (as defined herein) (a) multiplied by $2,250,000 and (b) divided by the Financing Share Price. "Warrant Coverage" means (i) 50% if closed on or prior to 120 days, (ii) $75% if closed after 120 days but before 150 days and (iii) 100%, if closed after 150 days, after the closing of a private placement. The Bridge Warrant is exercisable in cash or, while a registration statement covering the shares of common stock and/or other securities issuable upon exercise of the Bridge Warrant, or an exemption from registration, is not available, by way of a "cashless exercise". The exercise price of the Warrant is subject to a "full ratchet" anti-dilution adjustment for a period of one year. This adjustment provides that, in the event that the Company issues certain securities at a price lower than the then applicable exercise price, the exercise price of the Bridge Warrant shall be immediately reduced to equal the price at which the Company issued the securities.

Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

There have been no changes in or disagreements with our accountants since our formation required to be disclosed pursuant to Item 304 of Regulation S-K, except for the following:

On March 30, 2010, the Company dismissed Mendoza Berger & Company, LLP ("Mendoza") as its principal accountant effective on such date. The reports of Mendoza on the Company's financial statements for fiscal years 2009 and 2008 did not contain an adverse opinion or a disclaimer of opinion, were not qualified or modified as to uncertainty, audit scope, or accounting principles, with the exception of a qualification with respect to uncertainty as to our ability to continue as a going concern. The Company engaged Q Accountancy Corporation ("QAC") as its new principal accountant effective as of March 30, 2010. The decision to change accountants was recommended and approved by the Company's Board of Directors.

During fiscal years 2009 and 2008, and the subsequent interim period through March 30, 2010, the date of dismissal, there were no disagreements with Mendoza on any matter of accounting principles or practices, financial statement disclosures, or auditing scope or procedures, which disagreement(s), if not resolved to the satisfaction of Mendoza, would have caused it to make reference to the subject matter of the disagreement(s) in connection with its report, nor were there any reportable events as defined in Item 304(a)(1)(iv) of Regulation S-K.

The Company engaged QAC as its new independent accountant as of March 30, 2010. During fiscal years 2009 and 2008, and the subsequent interim period through March 30, 2010, neither the Company nor anyone on its behalf engaged QAC regarding either the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on our financial statements, or any matter that was either the subject of a "disagreement" or a "reportable event," both as such terms are defined in Item 304 of Regulation S-K.

Indemnification of Directors and Officers

Nevada Revised Statutes ("NRS") Sections 78.7502 and 78.751 provide us with the power to indemnify any of our directors and officers. The director or officer must have conducted himself/herself in good faith and reasonably believe that his/her conduct was in, or not opposed to, our best interests. In a criminal action, the director, officer, employee or agent must not have had reasonable cause to believe his/her conduct was unlawful.

Under NRS Section 78.751, advances for expenses may be made by agreement if the director or officer affirms in writing that he/she believes he/she has met the standards and will personally repay the expenses if it is determined such officer or director did not meet the standards.

Our Bylaws include an indemnification provision under which we have the power to indemnify our directors, officers, former directors and officers, or any person who serves or served at our request for our benefit as a director or officer of another corporation or our representative in a partnership, joint venture, trust, or other enterprise (including heirs and personal representatives) against all expenses, liability, and loss actually and reasonably incurred.

We also have a director and officer indemnification agreement with our sole executive officer and director that provide, among other things, for the indemnification to the fullest extent permitted or required by Nevada law, provided that such indemnity shall not be entitled to indemnification in connection with any "claim" (as such term is defined in the agreement) initiated by the indemnity against us or our directors or officers unless we join or consent to the initiation of such claim, or the purchase and sale of securities by the indemnity in violation of Section 16(b) of the Exchange Act.

Any repeal or modification of these provisions approved by our stockholders shall be prospective only, and shall not adversely affect any limitation on the liability of any of our directors or officers existing as of the time of such repeal or modification.

We are also permitted to apply for insurance on behalf of any director, officer, employee or other agent for liability arising out of his actions, whether or not the NRS would permit indemnification.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted for our directors, officers and controlling persons pursuant to the foregoing provisions, or otherwise, we have been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable.

Limitation of Liability of Directors

Our Amended and Restated Articles of Incorporation provides a limitation of liability such that no director or officer shall be personally liable to us or any of our stockholders for damages for breach of fiduciary duty as a director or officer, involving any act or omission of any such director or officer, provided there was no intentional misconduct, fraud or a knowing violation of the law, or payment of dividends in violation of NRS Section 78.300.

Item 3.02 Unregistered Sales of Equity Securities.

As described in Item 2.01 above, which information is hereby incorporated by reference into this Item, on May 16, 2011, the Company issued 7,724,000 shares of our restricted common stock to Aero and assumed Aero's liabilities in connection with the acquisition and agreed to issue additional shares on the basis of one share for (A) each dollar of current assets transferred to the Company at the closing, as set forth on the closing date balance sheet of Aero, to be delivered following the closing, and (B) each dollar of costs incurred for liquidation, certain income taxes and perfected or settled dissenters' rights of appraisal, up to a maximum of an additional 7,500,000 shares. The Shares issued at closing were not registered under the Securities Act or the securities laws of any state, and were offered and sold in reliance on the exemption from registration afforded by Section 4(2) of the Securities Act and Section 506 promulgated thereunder.

On March 29, 2011, we issued 10% secured convertible promissory notes in the aggregate principal sum of $2,250,000, due on September 29, 2011 (unless accelerated as described below) (the "Notes") and warrants (the "Warrants") to purchase certain securities of the Company in the Target Transaction (which is defined as a transaction pursuant to which the Company will acquire one or more businesses or companies approved by the holders), pursuant to a Securities Purchase Agreement Financing entered into on February 22, 2011. The Notes have an aggregate principal amount of $2,250,000 and mature on the earlier of September 29, 2011 or the closing date of the Target Transaction Financing (such earlier date, the "Maturity Date"). The entire principal amount and any accrued and unpaid interest shall be due and payable in cash on the Maturity Date. The Notes bear interest at the rate of 10% per annum. The principal and interest will not be prepaid except in connection with the consummation of the Target Transaction Financing, in which case the holder may elect either to (i) convert all of the principal and accrued and unpaid interest then outstanding into the securities offered in the Target Transaction Financing at a price per share or unit, as the case may be, equal to 80% of the price at which such securities are sold or (ii) require the Company to repay the principal amount then outstanding and any accrued and unpaid interest in cash. In the event that the Note is not prepaid or converted prior to September 29, 2011, the Company shall pay to the holders (in the aggregate) a penalty fee equal to: (i) the principal amount of the Note divided by (ii) $2,000,000 and multiplied by (iii) $100,000. In the event that the Target Transaction has not closed on or prior to September 29, 2011, the Company shall pay to the holder 150% of any portion of the principal amount then outstanding plus all accrued and unpaid interest thereon. The Notes and Warrants were issued to accredited investors in reliance upon the exemption from registration provided by Section 4(2) of the Securities Act of and Rule 506 promulgated thereunder.

On March 1, 2011, we issued 1,000,000 shares of our common stock to Roberto Prego-Novo Jr. the adult son of our current President and director. These shares were issued in reliance upon the exemption from registration provided by Section 4(2) of the Securities Act and Rule 506 promulgated thereunder.

In June 2007, we issued 529,800 shares of our common stock for $0.25 per share for gross proceeds of $132,450. In March 2007, we issued 240,000 shares of our common stock to repay certain loans in the amount of $60,000. The shares were issued were issued in reliance upon the exemption from registration provided by Section 4(2) of the Securities Act and Rule 506 promulgated thereunder.

In December 2006, we issued 1,000,000 shares of our common stock to Timothy Neely, our founder and former officer and director, and 2,000,000 shares of our common stock to two individuals. These shares were issued in exchange for gross proceeds of $15,000, or $.005 per share. The shares were issued in a transaction which we believe satisfies the requirements of that certain exemption from the registration and prospectus delivery requirements of the Securities Act of 1933, as amended, which exemption is specified by the provisions of Section 4(2) of that act.

Item 5.06 Change in Shell Company Status

As a result of the consummation of the Asset Purchase described in Item 2.01 of this Current Report on Form 8-K, we believe that we are no longer a shell corporation as that term is defined in Rule 12b-2 of the Exchange Act.

Item 9.01 Financial Statements and Exhibits

(a) *Financial Statements of Businesses Acquired*. In accordance with Item 9.01(a), (i) Aero's audited financial statements for the fiscal years ended December 31, 2010 and 2009, are filed in this Current Report on Form 8-K as Exhibit 99.1.

(b) *Pro Forma Financial Information*. In accordance with Item 9.01(b), our pro forma financial statements are filed in this Current Report on Form 8-K as Exhibit 99.2.

(d) Exhibits.

The exhibits listed in the following Exhibit Index are filed as part of this Current Report on Form 8-K.

Exhibit No.	Description
3.1	Articles of Incorporation (1)
3.2	Certificate of Amendment to Articles of Incorporation (1)
3.3	Certificate of Amendment to Articles of Incorporation (2)
3.4	Bylaws (1)
10.1	Asset Purchase Agreement*
10.2	Assignment and Assumption Agreement*
10.3	Bill of Sale*
10.4	Securities Purchase Agreement, dated as of February 28, 2011. (3)
10.5	Form of Secured Convertible Promissory Note (3)
10.6	Form of Warrant (3)
10.7	Form of Registration Rights Agreement (3)
10.8	Pledge and Security Agreement (3)
10.9	Non-Recourse Principal Stockholder Stock Pledge Agreement (3)
10.10	Director and Officer Indemnification Agreement (3)
10.11	Amendment No.1 to Asset Purchase Agreement dated as of April 25, 2011 by and between Aero Pharmaceuticals, Inc. and Teva Respiratory, LLC*
21	List of Subsidiaries*
99.1	Aero Pharmaceuticals, Inc. audited financial statements for the years ended December 31, 2010 and 2009*
99.2	Pro forma unaudited consolidated financial statements for the year ended December 31, 2010*
99.3	Press Release

* Filed herewith
(1) Incorporated by reference to the Company's Registration Statement on Form SB-2, filed with the SEC on September 20, 2007.
(2) Incorporated by reference to Exhibit 3.1 of the Company's Current Report on Form 8-K, filed with the SEC on May 4, 2011.
(3) Incorporated by reference to the Company's Current Report on Form 8-K, filed with the SEC on March 1, 2011.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

BIOZONE PHARMACEUTICALS, INC.

Date: May 19, 2011

By: */s/ Roberto Prego-Novo*
Name: Roberto Prego-Novo
Title: President

Exhibit 10.1

ASSET PURCHASE AGREEMENT

THIS ASSET PURCHASE AGREEMENT (this "Agreement"), dated as of May 16, 2011, is made by and among BIOZONE PHARMACEUTICALS, INC., a Nevada corporation (the "Company"), BAKER CUMMINS CORP., the Company's wholly-owned subsidiary and a Nevada corporation ("Buyer"), and AERO PHARMACEUTICALS, INC., a Florida corporation ("Seller").

WHEREAS, Seller is engaged in the manufacturing, marketing and sale of dermatology-related pharmaceutical products (the "Business");

WHEREAS, Seller desires to sell and assign to Buyer, and Buyer desires to purchase and assume from Seller, substantially all of the assets and liabilities of the Business, all upon the terms and subject to the conditions hereinafter set forth;

WHEREAS, in consideration for Seller and Buyer's obligations hereunder, Company shall guarantee all of Buyer's obligations under this Agreement, including without limitation the assumption of the Assumed Liabilities; and

WHEREAS, for federal income tax purposes, it is intended that the transactions contemplated by this Agreement shall, taken together, qualify as a "reorganization" within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations promulgated thereunder, and that this Agreement shall constitute a plan of reorganization within the meaning of Treasury Regulations Section 1.368-2(g) and shall constitute a plan of liquidation of Seller.

NOW, THEREFORE, in consideration of the mutual covenants herein contained and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto hereby agree as follows:

ARTICLE I.

DEFINITIONS

SECTION 1.1. Definitions.

As used in this Agreement, the following terms have the meanings set forth below:

"Act" has the meaning set forth in Section 5.10(e).

"Affiliate" has the meaning set forth in Section 5.10(h).

"Assignment and Assumption Agreement" means an assignment and assumption agreement to be executed and delivered by Buyer and Seller at Closing, reasonably satisfactory to Seller and Buyer, pursuant to which Buyer is assigned all right, title and interest of Seller under the Contracts and all rights, title and interest of Seller being transferred pursuant to Section 2.1(a) and Buyer assumes all of the Assumed Liabilities, in each case, as of the Closing Date.

"Assumed Liabilities" has the meaning set forth in Section 2.3(a).

"Bill of Sale" means a bill of sale to be executed and delivered by Seller to Buyer at Closing, reasonably acceptable to Seller and Buyer, transferring ownership of all tangible Purchased Assets being sold to Buyer as of the Closing Date pursuant to Section 2.1(a).

"Books and Records" has the meaning set forth in Section 2.1(a)(ix).

"Business Day" means any day other than a Saturday, Sunday or other day on which banks in the U.S. are permitted or required to close by law or regulation.

"Buyer Officer's Certificate" means a certificate, dated as of the Closing Date, duly executed by an authorized officer of Buyer, reasonably satisfactory in form to Seller.

"Claims" has the meaning set forth in Section 2.1(a)(xii).

"Closing" and "Closing Date" have the meaning set forth in Section 4.1.

"Closing Date Balance Sheet" has the meaning set forth in Section 5.11.

"Contracts" means contracts, leases, indentures, agreements, purchase orders and all other legally binding arrangements, whether in existence on the date hereof or subsequently entered into, including all amendments thereto.

"Company Financial Statements" has the meaning set forth in Section 6.8(a).

"Company Officer's Certificate" means a certificate, dated as of the Closing Date, duly executed by an authorized officer of Company, reasonably satisfactory in form to Seller.

"Company SEC Documents" has the meaning set forth in Section 6.8(a).

"Customer List" has the meaning set forth in Section 5.9.

"Customers" has the meaning set forth in Section 7.3(b).

"Dissenting Shares" has the meaning set forth in Section 3.2.

"Effectiveness Deadline" has the meaning set forth in Section 8.4(a)(ii).

"Encumbrance" means, with respect to any asset, any imperfection of title, mortgage, charge, lien, security interest, easement, right of way, pledge or encumbrance of any nature whatsoever.

"Evaluation Date" has the meaning set forth in Section 6.8(b).

"Excluded Assets" has the meaning set forth in Section 2.2.

"Excluded Books and Records" has the meaning set forth in Section 2.2(a).

"Exchange Act" has the meaning set forth in Section 5.10(e).

"Excluded Liabilities" has the meaning set forth in Section 2.3(b).

"Expiration Date" has the meaning set forth in Section 8.4(a)(ii)

"FBCA" means the Florida Business Corporation Act

"FDA" means the U.S. Food and Drug Administration.

"Filing Deadline" has the meaning set forth in Section 8.4(a)(i).

"Financial Statements" has the meaning set forth in Section 5.11.

"Furniture and Equipment" has the meaning set forth in Section 2.1(a)(x).

"GAAP" has the meaning set forth in Section 6.8(a).

"Governmental Entity" means any court, administrative agency or commission or other governmental authority, body or instrumentality, whether U.S. or non-U.S.

"Governmental Rule" means any law, judgment, order, decree, statute, ordinance, rule or regulation enacted, issued or promulgated by any Governmental Entity.

"Intellectual Property Data" shall have the meaning set forth in Section 2.1(a)(ii).

"Inventory" has the meaning set forth in Section 2.1(a)(xi).

"Knowledge" of Seller ,Buyer or Company, as the case may be, means all such facts, circumstances or other information, of which such Person is actually aware or in the exercise of commercially reasonable care and diligence, would reasonably have discovered.

"Liabilities" means any and all debts, liabilities and obligations, whether accrued or fixed, absolute or contingent, matured or unmatured, or known or unknown, including those arising under any Governmental Rule or action and those arising under any Contract, arrangement, commitment or undertaking, or otherwise.

"Liquidation Holdback" means $20,000.00 to be used by Seller, in its discretion, to pay at least part of the expenses to liquidate itself, pay expenses of completing its tax returns and other expenses relating to terminating all business activity.

"Other Written Information" has the meaning set forth in Section 5.10(a).

"Permitted Encumbrances" means any minor imperfections of title or similar Encumbrance that do not, and would not reasonably be expected to, individually or in the aggregate, materially impair the value or materially interfere with the use of, the Purchased Assets.

"Person" means any individual, corporation, partnership, limited liability company, joint venture, trust, business association, organization, Governmental Entity or other entity.

"Products" has the meaning set forth in Section 2.2(a)(i).

"Product Scientific and Regulatory Material" means all technological, scientific, chemical, biological, pharmacological, toxicological, regulatory and clinical trial materials and information related solely to any of the Products that are owned by Seller and in Seller's possession or control.

"Product Technical Information" means the following information owned by or licensed to Seller , as in existence and in the possession of Seller as of the Closing Date: specifications and test methods, raw material, packaging, stability and other applicable specifications, manufacturing and packaging instructions, master formula, validation reports to the extent available, stability data, analytical methods, records of complaints, annual product reviews to the extent available, and other master documents necessary for the manufacture, control and release of the Products as conducted by, or on behalf of, Seller or any of its Affiliates.

"Purchased Assets" has the meaning set forth in Section 2.1(a).

"Purchase Price" has the meaning set forth in Section 3.1(a).

"Receivables" has the meaning set forth in Section 2.1(a)(viii).

"Registrable Securities" has the meaning set forth in Section 8.4(a)(i).

"Registration Statement" has the meaning set forth in Section 8.4(a)(i).

"Sarbanes" has the meaning set forth in Section 6.8(a).

"SEC" has the meaning set forth in Section 6.8(a).

"Seller Officer's Certificate" means a certificate, dated as of the Closing Date, duly executed by an authorized officer of Seller, reasonably satisfactory in form to Buyer and Company.

"Shares" has the meaning set forth in Section 3.1(a).

"Tax(es)" means all Federal, state, local and foreign taxes, customs, duties, governmental fees and assessments, including all interest, penalties and additions with respect thereto.

"Tax Return" means any report, return, election, notice, estimate, declaration, information statement and other forms and documents (including all schedules, exhibits and other attachments thereto) relating to and filed or required to be filed with a taxing authority in connection with any Taxes (including estimated Taxes).

"Territory" means the world.

ARTICLE II.

SALE AND PURCHASE OF PURCHASED ASSETS

SECTION 2.1. Purchase and Sale.

(a) Upon the terms and subject to the conditions of this Agreement, as of the date first set forth above (the "Closing Date"), in consideration for the Purchase Price, Seller will sell, assign, transfer, convey and deliver to Buyer, and Buyer will purchase, acquire and accept, all of its right, title and interest, within the Territory, of Seller in, to and under all of the assets, properties and rights of every kind and nature, whether real, personal or mixed, tangible or intangible (including goodwill), wherever located and whether now existing or hereafter acquired (other than the Excluded Assets), including those which relate to, or are used or held for use in connection with, the Business (collectively, the "Purchased Assets"), including, without limitation, the following:

(i) (A) all rights currently held by Seller to distribute, market and sell the products listed on Schedule 2.1(a)(i) attached hereto (collectively, the "Products") and (B) all rights currently held by Seller to manufacture, distribute, market and sell the Products;

(ii) All trademarks, marketing materials, training materials, market data, clinical data, research data, regulatory data, adverse event data, trade dress information and product labeling data associated with the Products (the "Intellectual Property Data");

(iii) all outstanding customer purchase orders for the Products, to the extent assignable without consent;

(iv) the Product Scientific and Regulatory Material;

(v) the Product Technical Information;

(vi) all Contracts;

(vii) all cash and cash equivalents;

(viii) all accounts or notes receivable held by Seller ("Receivables");

(ix) all books and records, including, but not limited to, books of account, ledgers and general, financial and accounting records, customer lists, price lists, distribution lists, supplier lists, sales material and records (collectively, "Books and Records");

(x) all furniture, fixtures, equipment, machinery, tools, office equipment, supplies, computers and other tangible personal property (collectively, "Furniture and Equipment");

(xi) Seller's existing inventories of the Products (including inventory designated for use as samples and not for resale) (the "Inventory"); all goodwill and the going concern value of the Business; and

(xii) all rights, claims and causes of action against third parties resulting from or relating to the operation of the Business and the Purchased Assets prior to the Closing Date, including without limitation, any rights, claims and causes of actions arising under warranties from vendors, patent or trademark infringement claims, insurance and other third parties and the proceeds thereof (collectively, "Claims").

(b) Buyer and Company acknowledge and agree that Seller may retain for archival purposes and for purposes of complying applicable law and for legal and regulatory purposes as a seller of pharmaceutical products, one or more copies of all or any part of the documentation that Seller delivers to Buyer pursuant to Section 2.1. The copies will be retained by Seller's legal counsel and Seller agrees to treat such copies as confidential information.

SECTION 2.2. Excluded Assets.

Notwithstanding the foregoing, the Purchased Assets shall not include only the following assets (collectively, the " Excluded Assets");

(a) the corporate seals, organizational documents, minute books, stock books, Tax Returns, books of account or other records having to do with the corporate organization of Seller (the "Excluded Books and Records");

(b) the Liquidation Holdback; and

(c) the assets, properties and rights specifically set forth on Schedule 2.2(c).

SECTION 2.3. Assumption of Liabilities and Obligations.

(a) Except only as set forth in Section 2.3(b). Buyer will assume, be responsible for and pay, perform and/or otherwise discharge when due all of the Liabilities of Seller, including without limitation those Liabilities that arise out of or are related to the Purchased Assets, the Business or the Products (including any Liabilities arising in respect of Taxes), Seller's costs and expenses related to the transactions contemplated herein and Seller's liquidation expenses) (collectively, the "Assumed Liabilities"). In connection with the foregoing, Buyer hereby expressly agrees to comply with, and assumes and agrees to perform and discharge, as and when required by each and all of the Contracts, all duties and obligations to be paid, performed or discharged by Seller under the terms, covenants and conditions of the Contracts from and after the Closing Date. Buyer shall not commit or suffer at any time any act or omission that would violate any provision of the Contracts.

(b) Notwithstanding the foregoing, Buyer will not assume or be responsible or liable for any Liabilities of Seller or its Affiliates expressly identified on Schedule 2.3(b) (collectively, the "Excluded Liabilities").

(c) Company hereby unconditionally guarantees the full and prompt payment and performance of all of Buyer's obligations hereunder, including without limitation the assumption of all the Assumed Liabilities.

SECTION 2.4. Transfer Taxes.

All transfer, sales, value added, stamp duty and similar Taxes payable in connection with the transactions contemplated hereby will be paid by Buyer.

ARTICLE III.

PURCHASE PRICE

SECTION 3.1. Purchase Price.

(a) In exchange for the Purchased Assets, Company will pay and deliver to Seller (i) 7,724,000 shares of the Company's common stock, $0.001 par value per share, at the Closing Date and (ii) within five (5) days of delivery by Seller to Buyer and Company of the Closing Date Balance Sheet, Company will pay and deliver to Seller one share of such common stock of Company for each dollar by which Seller's cash and cash equivalents plus accounts receivable net exceed Seller's accounts payable and accrued liabilities on the Closing Date Balance Sheet (all such shares of common stock being included in the "Shares" and the "Purchase Price"), plus Buyer will assume the Assumed Liabilities on the Closing Date. If Seller sells Shares pursuant to Section 7.2 for purposes of making payment to dissenting shareholders pursuant to Section 3.2 or paying expenses not being paid by Buyer pursuant to Section 2.3(a), including Taxes relating to the sale of such Shares, Company will pay and deliver to Seller prior to the liquidation of Seller, as additional stock consideration, one additional share of Company's common stock, $0.001 par value per share, for each Share sold pursuant to Section 7.2, within five (5) days of the sale of any such Shares (and such additional shares of common stock being delivered by Company also being part of the "Shares" and included in the "Purchase Price"), up to a maximum of an additional 7.5 million Shares.

(b) The transactions contemplated by this Agreement, including the transfer of the Purchased Assets, the payment of the Purchase Price and the liquidation of Seller, are intended to constitute a reorganization within the meaning of Section 368(a) of the Code. This Agreement shall constitute a plan of reorganization within the meaning of Treasury Regulations Section 1.368-2(g) and shall constitute a plan of liquidation of Seller. Buyer and Company, on the one hand, and Seller, on the other, agree, for all Tax purposes, to report the transactions effected pursuant to this agreement in a manner consistent with the treatment of such transactions as a reorganization under Section 368(a) of the Code, and none of them shall take a position on any Tax return, before any Tax authority or in any judicial proceeding that is, in any manner, inconsistent with such treatment without the consent of the others or unless specifically required pursuant to a determination by an applicable Tax authority. The parties shall promptly advise one another of the existence of any Tax audit, controversy or litigation related to such treatment.

SECTION 3.2. Dissenting Shares.

Notwithstanding any provision of this Agreement to the contrary, holders of shares of capital stock of Seller that are outstanding immediately prior to the Closing Date and which are held by shareholders who have exercised and perfected appraisal rights for such shares of capital stock in accordance with the FBCA (collectively, the "Dissenting Shares") shall not be entitled to receive a distribution of Shares from Seller pursuant to the plan of liquidation which is contemplated by this Agreement, but rather shall be entitled to receive payment, if any, of the appraised value of such shares of capital stock held by them in accordance with the FBCA, unless and until such shareholders fail to perfect or effectively withdraw or otherwise lose their appraisal rights under the FBCA.

ARTICLE IV.

THE CLOSING

SECTION 4.1. Closing Date.

The closing of the sale and transfer of Purchased Assets (a "Closing") will take place at the offices of Seller, or at another place designated by the parties, on the first Business Day following the date on which all of the relevant conditions to each party's obligations under this agreement have been satisfied or waived, or at such other time, date and/or place as mutually agreed to by the parties hereto (each such date being referred to herein as a "Closing Date").

SECTION 4.2. Transactions to Be Effected at Closing.

(a) Seller will deliver or cause to be delivered to Buyer each of the following items, in each case appropriately executed:

(i) the Assignment and Assumption Agreement;

(ii) the Bill of Sale;

(iii) all Intellectual Property Data, Purchase Orders, Product Scientific and Regulatory Material, Product Technical Information, Contracts, Receivables, Books and Records, Furniture and Equipment Inventory and Claims being assigned or transferred pursuant to the Assignment and Assumption Agreement and Bill of Sale, other than the Excluded Assets; and

(iv) all cash and cash equivalents other than the Liquidation Holdback.

(b) Seller will deliver or cause to be delivered to Buyer and Company an appropriately executed Seller Officer's Certificate dated as of the Closing Date.

(c) Buyer will deliver or cause to be delivered to Seller each of the following items, in each case appropriately executed:

(i) the Assignment and Assumption Agreement;

(ii) a Bill of Sale;

(iii) a Buyer Officer's Certificate dated as of the Closing Date; and

(iv) any other documents reasonably requested in writing by Seller in connection with the Purchased Assets.

(d) Company will deliver or cause to be delivered to Seller each of the following items, in each case appropriately executed:

(i) a Company Officer's Certificate dated as of the Closing Date; and

(ii) any other documents reasonably requested in writing by Seller in connection with the Purchased Assets.

ARTICLE V.

REPRESENTATIONS AND WARRANTIES OF SELLER

Seller hereby represents and warrants to Buyer and Company as follows:

SECTION 5.1. Seller Organization; Good Standing.

Seller is a corporation duly organized, validly existing and in good standing under the laws of the State of Florida. Seller has the requisite power and authority to own the Purchased Assets and to carry on its business as currently conducted.

SECTION 5.2. Authority; Execution and Delivery.

Seller has the requisite corporate power and authority to enter into this Agreement and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement by Seller and the consummation of the transactions contemplated hereby have been duly and validly authorized. This Agreement has been duly executed and delivered by Seller and, assuming the due authorization, execution and delivery of this Agreement by Buyer and Company, will constitute the legal, valid and binding obligation of Seller, enforceable against it in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer and other similar laws affecting creditors' rights generally from time to time in effect and to general principles of equity (including concepts of materiality, reasonableness, good faith and fair dealing), regardless of whether considered in a proceeding in equity or at law.

SECTION 5.3. Consents; No Violation, etc.

Except as set forth on Schedule 5.3, the execution and delivery of this Agreement do not, and the consummation of the transactions contemplated hereby and the compliance with the terms hereof will not (i) violate any Governmental Rule applicable to Seller, (ii) conflict with any provision of the certificate of incorporation or by-laws (or similar organizational document) of Seller, (iii) conflict with any contract to which Seller is a party or by which it is otherwise bound, including any Contract related to any of the Products, or (iv) require any approval, authorization, consent, license, exemption, filing or registration with any court, arbitrator or Governmental Entity, except, with respect to the foregoing clauses (i) and (iii), for such violations or conflicts which would not have a material adverse effect or materially interfere with Seller's performance of its obligations hereunder or, with respect to the foregoing clause (iv), for such approvals, authorizations, consents, licenses, exemptions, filings or registrations which have been obtained or made or which, if not obtained or made, would not have a material adverse effect or interfere with Seller's performance of its obligations hereunder.

SECTION 5.4. Title to Purchased Assets; Trademarks.

Seller has good and valid title to all of the Purchased Assets free and clear of all Encumbrances, other than Permitted Encumbrances. Buyer and Company acknowledge that certain of the Purchased Assets consist of distribution rights with respect to certain licensed Products and that Seller is making no representation that it owns any rights or has any title with respect to such Products other than the distribution rights set forth in the respective distribution agreements. All trademarks being transferred are listed on Schedule 5.4.

SECTION 5.5. Litigation.

(a) There is no suit, claim, action, investigation or proceeding pending or, to the Knowledge of Seller, threatened against Seller, that relates to the Purchased Assets that (i) challenges or seeks to prevent or enjoin the transactions contemplated by this Agreement, or (ii) has not been disclosed to Buyer and Company in writing prior to the execution of this Agreement.

(b) During the twelve-month period ending on the date hereof (i) Seller has not received any written notice from any other Person challenging its ownership or rights to use any intellectual property relating to the Products and (ii) there has not been any, and there are no, product liability suits, claims, actions, investigations or proceedings pending or, to the Knowledge of Seller, threatened against Seller, relating to the Products.

SECTION 5.6. Regulatory Issues.

(a) Except as set forth on Schedule 5.6(a), during the twelve-month period ending on the date hereof, (a) with respect to the Products only, Seller has not received: (i) any FDA Form 483s directly relating to the Products; (ii) any FDA Notices of Adverse Findings with respect to the Products; or (iii) any warning letters or other written correspondence from the FDA concerning the Products; and (b) there has not been a recall or market withdrawal of any Product by Seller, whether voluntary or involuntary.

(b) Schedule 5.6(b) sets forth a true and complete list of all documents that have been made available to Buyer that relate to (i) adverse drug experience information, (ii) material events and matters concerning or affecting safety or (iii) medical inquiries and complaints brought to the attention of the Seller in respect of the Products.

SECTION 5.7. No Brokers.

Seller has not entered into any agreement, arrangement or understanding with any Person or firm which will result in the obligation to pay any finder's fee, brokerage commission or similar payment in connection with the transactions contemplated hereby.

SECTION 5.8. Exclusive Representations and Warranties.

Other than the representations and warranties set forth in this Article V, Seller is not making any other representations or warranties, express or implied, with respect to the Products, the Purchased Assets, the Product Technical Information or any other matter, including but not limited to any warranty of merchantability or fitness for a particular purpose or infringement of third party rights, and all such warranties are disclaimed.

SECTION 5.9. Contracts to be Assumed; Customers.

(a) All of the Contracts are being assigned to and assumed by Buyer, including those set forth on Schedule 5.9(a). Except as further set forth on Schedule 5.9(a), to the Knowledge of Seller, there are no other Contracts related to the Products. Each Contract that is a Purchased Asset is a legal, valid and binding obligation of Seller, enforceable against Seller in accordance with its terms (except as limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws now or hereafter in effect relating to or affecting creditors' rights generally, and subject to the limitations imposed by general equitable principles, regardless of whether such enforceability is considered in a proceeding at law or in equity). Seller has not failed to perform any material obligation under any such Contract, has not received notice from any party claiming or alleging that Seller has breached or is in default thereunder and Seller is not (with or without lapse of time or notice, or both) in breach or default thereunder.

(b) Seller has previously provided Buyer and the Company with a true and complete list of Customers (the "Customer List").

SECTION 5.10. Purchase Price.

(a) Information on the Company. Seller has been furnished with or has had access to such information and materials concerning the Company as have been requested by Seller. In addition, Seller may have received in writing from the Company such other information concerning its operations, financial condition, prospects and other matters as Seller has requested in writing (such other information is collectively the "Other Written Information") and considered all factors Seller deems material in deciding on the advisability of acquiring the Shares.

(b) Seller has adequate means of providing for current needs and contingencies, has no need for liquidity in the investment, and is able to bear the economic risk of an investment in the Shares offered by the Company of the size contemplated herein. The Seller represents that the Seller is able to bear the economic risk of the investment and at the present time could afford a complete loss of such investment. The Seller has had a full opportunity to inspect the books and records of the Company and to make any and all inquiries of Company's officers and directors regarding the Company and its business as the Seller has deemed appropriate.

(c) Information on Seller. The Seller, either alone or with the Seller's professional advisers who are unaffiliated with, has no equity interest in and is not compensated by the Company or any affiliate or selling agent of the Company, directly or indirectly, has sufficient knowledge and experience in financial and business matters that the Seller is capable of evaluating the merits and risks of an investment in the Shares offered by the Company and of making an informed investment decision with respect thereto and has the capacity to protect the Seller's own interests in connection with the Seller's proposed investment in the Shares.

(d) Acquisition of Shares. Seller will acquire its Shares as principal for its own account for investment only and not with a view toward, or for resale in connection with, the public sale or any distribution thereof except as contemplated by Section 7.2.

(e) Compliance with Securities Act. Seller understands and agrees that its Shares have not been registered under the Securities Act of 1933, as amended (the "Act") or any applicable state securities laws, by reason of their issuance in a transaction that does not require registration under the Securities Exchange Act of 1933, as amended (the "Exchange Act") (based in part on the accuracy of the representations and warranties of Seller contained herein), and that such Shares must be held indefinitely unless a subsequent disposition (including, without limitation, a liquidation distribution pursuant to Section 7.2) is registered under the Act or any applicable state securities laws or is exempt from such registration.

(f) Legend. The initial certificate evidencing the Shares shall bear the following or similar legend:

"THE ISSUANCE AND SALE OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR APPLICABLE STATE SECURITIES LAWS. THE SECURITIES MAY NOT BE OFFERED FOR SALE, SOLD, TRANSFERRED OR ASSIGNED (I) IN THE ABSENCE OF (A) AN EFFECTIVE REGISTRATION STATEMENT FOR THE SECURITIES UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR (B) AN OPINION OF COUNSEL TO THE COMPANY, IN A GENERALLY ACCEPTABLE FORM, THAT REGISTRATION IS NOT REQUIRED UNDER SAID ACT OR (II) UNLESS SOLD PURSUANT TO RULE 144 OR RULE 144A UNDER SAID ACT.

(g) Communication of Offer. The offer to acquire the Shares was directly communicated to Seller by Buyer and Company. At no time was Seller presented with or solicited by any leaflet, newspaper or magazine article, radio or television advertisement, or any other form of general advertising or solicited or invited to attend a promotional meeting otherwise than in connection and concurrently with such communicated offer.

(h) Restricted Securities. Notwithstanding anything to the contrary contained in this Agreement, Seller may transfer the Shares to its Affiliates (as defined below) provided that each such Affiliate is an "accredited investor" under Regulation D and such Affiliate agrees to be bound by the terms and conditions of this Agreement. For the purposes of this Agreement, an "Affiliate" of any Person or entity means any other Person or entity directly or indirectly controlling, controlled by or under direct or indirect common control with such Person or entity. Affiliate includes each parent or subsidiary of a party hereto. For purposes of this definition, "control" means the power to direct the management and policies of such Person or firm, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise.

(i) No Governmental Review. Seller understands that no United States federal or state agency or any other governmental or state agency has passed on or made recommendations or endorsement of the Shares or the suitability of the investment in the Shares nor have such authorities passed upon or endorsed the merits of the offering of the Shares.

SECTION 5.11. Financial Statements.

The Seller has delivered to the Buyer and the Company copies of (i) the audited consolidated balance sheets of the Seller as at December 31, 2010 and 2009 and the related audited consolidated statements of income and of cash flows of the Seller for the years then ended (such audited statements, including the related notes and schedules thereto, are referred to herein as the "Financial Statements"). Within five (5) business days from the Closing Date, Seller will deliver to Buyer and Company a balance sheet of the Seller as of the Closing Date (the "Closing Date Balance Sheet"). Each of the Financial Statements is, and the Closing Date Balance Sheet when delivered will be, complete and correct in all material respects, will be prepared in accordance with GAAP (subject to normal year-end adjustments in the case of the unaudited statements) and in conformity with the practices consistently applied by the Seller without modification of the accounting principles used in the preparation thereof and or will present fairly the financial position, results of operations and cash flows of the Seller as at the dates and for the periods indicated.

SECTION 5.12. Compliance with Applicable Laws.

The Seller is in compliance with all applicable laws, except for instances of noncompliance that, individually and in the aggregate, have not had and would not reasonably be expected to have a material adverse affect on the Seller.

ARTICLE VI.

REPRESENTATIONS AND WARRANTIES OF COMPANY AND BUYER

The Company and the Buyer jointly and severally hereby represent and warrant to Seller as follows:

SECTION 6.1. Organization; Good Standing.

Each of Company and Buyer is a corporation duly organized, validly existing and in good standing under the laws of the State of Nevada. Each of Company and Buyer has all requisite corporate power and authority to carry on its business as it is currently being conducted. Each of Company and Buyer is duly qualified to conduct business as a foreign corporation and is in good standing in every jurisdiction where the nature of the business conducted by it makes such qualification necessary, except where the failure to so qualify or be in good standing would not prevent or materially delay the consummation of the transactions contemplated hereby.

SECTION 6.2. Authority; Execution and Delivery.

Each of Company and Buyer has the requisite corporate power and authority to enter into this Agreement and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement by Company and Buyer and the consummation of the transactions contemplated hereby have been duly and validly authorized. This Agreement has been duly executed and delivered by Buyer and Company and, assuming the due authorization, execution and delivery of this Agreement by Seller, constitutes the legal, valid and binding obligation of Buyer and Company, enforceable against Buyer and Company in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer and other similar laws affecting creditors' rights generally from time to time in effect and to general principles of equity (including concepts of materiality, reasonableness, good faith and fair dealing), regardless of whether considered in a proceeding in equity or at law.

SECTION 6.3. Consents; No Violations, etc.

The execution and delivery of this Agreement do not, and the consummation of the transactions contemplated hereby and the compliance with the terms hereof will not (i) violate any Governmental Rule applicable to either Company or Buyer, (ii) conflict with any provision of the certificate of incorporation or by-laws of either Company or Buyer, (iii) conflict with any contract to which either Company or Buyer is a party or by which it is otherwise bound or (iv) require any approval, authorization, consent, license, exemption, filing or registration with any court, arbitrator or Governmental Entity, except with respect to the foregoing clauses (i) and (iii), for such violations or conflicts which would not materially interfere with either Company's or Buyer's performance of its obligations hereunder or, with respect to the foregoing clause (iv), for such approvals, authorizations, consents, licenses, exemptions, filings or registrations which have been obtained or made or which, if not obtained or made, would not materially interfere with either Company's or Buyer's performance of its obligations hereunder.

SECTION 6.4. Litigation.

There is no suit, claim, action, investigation or proceeding pending or, to the Knowledge of Buyer or Company, threatened against Buyer or Company or any of their respective Affiliates which if adversely determined would materially interfere with the ability of either party to perform its obligations hereunder.

SECTION 6.5. No Brokers.

Neither Company nor Buyer has entered into any agreement, arrangement or understanding with any Person or firm which will result in the obligation to pay any finder's fee, brokerage commission or similar payment in connection with the transactions contemplated hereby.

SECTION 6.6. No Seller Warranty.

Company and Buyer each represent that neither Seller nor any other Person has made any representation or warranty, express or implied, as to the accuracy or completeness of any information regarding Seller, its Affiliates, the Purchased Assets, the Products, the Product Technical Information or the Assumed Liabilities not expressly set forth in this Agreement, and neither Seller nor any other Person will have or be subject to any Liability to Buyer or Company or any other Person resulting from the distribution to Buyer or Company or its representatives or Buyer's or Company's use of any such information.

SECTION 6.7. Purchase Price.

(a) The Shares sold hereunder have been duly authorized by the appropriate corporate action of the Company.

(b) The Company shall transfer title, in and to the Shares to the Seller free and clear of any and all Encumbrances, whether direct or indirect or contingent.

SECTION 6.8. Company Reports; Financial Statements.

(a) Company has filed all reports required to be filed by it under the Act and the Exchange Act, including pursuant to Section 13(a) or 15(d) thereof, for the twelve months preceding the date hereof (or such shorter period as the Company was required by law to file such reports) (the foregoing materials being collectively referred to herein as the "Company SEC Documents") on a timely basis or has timely filed a valid extension of such time of filing and has filed any such Company SEC Documents prior to the expiration of any such extension. As of their respective dates, the Company SEC Documents complied in all material respects with the requirements of the Act and the Exchange Act and the rules and regulations of the Securities and Exchange Commission (the "SEC") promulgated thereunder, and none of the Company SEC Documents, when filed, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. The financial statements of Company included in the Company SEC Documents (together with the related notes and schedules thereto, collectively, the "Company Financial Statements") comply in all material respects with the rules and regulations of the SEC with respect thereto as in effect at the time of filing. Such financial statements have been prepared in accordance with generally accepted accounting principles in the United States applied on a consistent basis during the period involved ("GAAP"), except as may be otherwise specified in such financial statements or the notes thereto and except that unaudited financial statements may not contain all footnotes required by GAAP, and fairly present in all material respects the financial position of the Company as of and for the dates thereof and the results of operations and cash flows for the periods then ended, subject, in the case of unaudited statements, to normal, immaterial, year-end audit adjustments.

(b) Company is in compliance with the provisions of the Sarbanes-Oxley Act of 2002 ("Sarbanes") currently applicable to Company. Company maintains a system of internal accounting controls sufficient to provide reasonable assurance that (i) transactions are executed in accordance with management's general or specific authorizations, (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with GAAP and to maintain asset accountability, (iii) access to assets is permitted only in accordance with management's general or specific authorization, and (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences. Company has established disclosure controls and procedures (as defined in the Exchange Act Rules 13a-15(e) and 15d-15(e)) for Company and designed such disclosure controls and procedures to ensure that material information relating to Company, including its subsidiaries, is made known to the certifying officers by others within those entities, particularly during the period in which Company's most recently filed periodic report under the Exchange Act, as the case may be, is being prepared. Company's certifying officers have evaluated the effectiveness of Company's controls and procedures as of the end of the period covered by the most recently filed periodic report under the Exchange Act (such date, the "Evaluation Date"). Company presented in its most recently filed periodic report under the Exchange Act the conclusions of the certifying officers about the effectiveness of the disclosure controls and procedures based on their evaluations as of the Evaluation Date. Since the Evaluation Date, there have been no significant changes in Company's internal controls (as such term is defined in Item 308 of Regulation S-K) or, to Company's knowledge, in other factors that could significantly affect Company's internal controls. Company maintains and will continue to maintain a standard system of accounting established and administered in accordance with GAAP and the applicable requirements of the Exchange Act.

SECTION 6.9. Employee.

Seller has one employee as identified on Schedule 6.9. At the Closing, this employee will become an employee at will of Buyer, subject to the employee's consent, and receive at least the same compensation and benefits as the employee currently receives at Seller or, in the alternative, Buyer will pay the employee's monthly premiums for COBRA coverage, less the monthly amount currently deducted from the employee's compensation for medical and dental benefits until Buyer has employee benefit plans providing comparable coverage for the employee as she currently has. This does not constitute an employment agreement with the employee, nor is she a third-party beneficiary of this Agreement.

ARTICLE VII.

CERTAIN COVENANTS AND AGREEMENTS OF SELLER

SECTION 7.1. Post-Closing Orders and Payments.

From and after 12:01 A.M. (Eastern Daylight Time) on the day immediately following the Closing Date, Seller will promptly deliver to Buyer any payments received by Seller from third parties for Products purchased by the third parties from Buyer on or after the Closing Date, and refer all inquiries it will receive with respect to the Products to Buyer.

SECTION 7.2. Liquidation.

From and after the Closing Date, Seller shall not engage in any business other than to the extent necessary to wind up Seller's affairs. Seller shall also file all tax returns required to be filed by Seller through the date of liquidation. Seller may sell Shares for purposes of making payment to dissenting shareholders pursuant to Section 3.2 of this Agreement or paying expenses not paid by Buyer pursuant to Section 2.3(a), including Taxes relating to the sale of such Shares. Seller shall, as soon as reasonably possible after the Closing Date, but no later than December 31, 2011, provided that the Company has complied with its registration obligations as set forth in Section 8.4, distribute the Shares (other than those sold to pay dissenting shareholders) to its shareholders pursuant to the plan of liquidation which is contemplated by this Agreement.

SECTION 7.3. Sales Data; Customer List.

(a) Seller is delivering to Buyer monthly net sales data for the Products (as calculated by Seller in accordance with its standard practice) for the previous six (6) months prior to the Closing Date.

(b) Seller acknowledges that immediately following the Closing Date, Buyer may contact customers that have purchased the Products during the previous six (6) months (the "Customers") to promote the Products, and the distribution thereof, on behalf of Buyer, and may notify such Customers of Buyer's purchase of the Business.

SECTION 7.4. Cooperation with Registration.

The Seller shall furnish to the Company and the Buyer such information regarding itself, the Shares held by it and the intended method of disposition of the Shares held by it as shall be reasonably required to effect the registration of the Registrable Securities and shall execute such documents in connection with such registration as the Company or the Buyer may reasonably request. The Seller shall cooperate with the Company and the Buyer as reasonably requested by the Company and the Buyer in connection with the preparation and filing of the Registration Statement hereunder.

SECTION 7.5. Cooperation on Taxes.

Buyer and Company, on the one hand, and Seller, on the other hand, will cooperate in good faith for the purpose of maximizing the value of any tax loss carryforward amounts that could be available to Buyer or Company after the Closing. Buyer and Company, on the one hand, and Seller, on the other hand, will not knowingly take any actions that adversely affect the tax consequences of the other without the other party's consent.

SECTION 7.6. Further Actions.

Following the Closing Date, Seller will use commercially reasonable efforts (i) to take, or cause to be taken, all actions necessary, proper or advisable to satisfy the conditions to closing in order to consummate and make effective the transactions contemplated by this Agreement, and (ii) to obtain any consents, licenses, permits, waivers, approvals, authorizations or orders required to be obtained or made in connection with the authorization, execution and delivery of this Agreement and the consummation of the transactions contemplated by this Agreement. Furthermore, to the extent necessary following the Closing Date, Seller will use commercially reasonable efforts to take, or cause to be taken, all further actions necessary, proper or advisable in connection with the consummation of the transactions contemplated by this Agreement.

ARTICLE VIII.

CERTAIN COVENANTS AND AGREEMENTS OF BUYER

SECTION 8.1. Books and Records.

Buyer will preserve all books and records included within the Purchased Assets for applicable periods of time as required by law, and will make such books and records available for inspection and copying by Seller or its agents upon reasonable request and upon reasonable notice.

SECTION 8.2. Bulk Transfer Laws.

Buyer hereby waives compliance by Seller with the provisions of any so-called "bulk transfer law" of any jurisdiction in connection with the sale of the Purchased Assets to Buyer and releases Seller from any Liabilities in connection therewith as Buyer is assuming all Liabilities not specifically excluded.

SECTION 8.3. Response to Medical Inquiries and Products Complaints.

After the Closing, Buyer will assume all responsibility for responding to any medical inquiries or complaints about the Products in the Territory.

SECTION 8.4. Required Registration Statement.

(a) Company hereby agrees with the Seller that:

(i) The Company shall file or cause to be filed, no later than four (4) months after the Closing Date (the "Filing Deadline"), a registration statement under the Act (a "Registration Statement"), to permit the liquidation of Seller and distribution by Seller of the Shares, together with any shares of capital stock issued or issuable, from time to time, upon any reclassification, share combination, share subdivision, stock split, share dividend or similar transaction or event or otherwise as a distribution on, in exchange for or with respect to any of the foregoing (the "Registrable Securities").

(ii) The Company shall use its commercially reasonable efforts to cause the Registration Statement referred to in clause (i) above to be declared effective by the SEC as soon as reasonably practicable, but in no event later than seven (7) months after the Closing Date or five (5) business days after the SEC shall have informed the Company that no review of the Registration Statement will be made or that the SEC has no further comments on the Registration Statement, whichever is earlier (the "Effectiveness Deadline") and shall cause such Registration Statement to remain effective until such time as all Registrable Securities have been sold or are otherwise freely tradable without registration under the Act (the "Expiration Date"). If a Registration Statement covering the Registrable Securities is not filed with the SEC on or prior to the Filing Deadline, or not effective with the SEC prior to the Effectiveness Deadline, the Company will make payments to Seller, as liquidated damages and not as a penalty, in an amount equal to 1.0% of the aggregate Purchase Price paid to the Seller under this Agreement for each thirty (30)-day period or pro rata for any portion thereof following the Filing Deadline or Effectiveness Deadline, as applicable, for which no Registration Statement is filed with respect to the Registrable Securities; provided that in no event shall the aggregate liquidated damages paid pursuant to this Section 8.4(b) exceed 5.0% of the aggregate Purchase Price paid to the Seller under this Agreement. Such payments shall constitute the Seller's exclusive monetary remedy for such events, but shall not affect the right of the Seller to seek injunctive relief. Such payments shall be made to Seller in cash or shares of capital stock of the same class as the Shares no later than five (5) business days after the end of each thirty (30)-day period, at Company's option. Any such additional shares shall be included in the Registration Statement and as part of the Shares. Company understands that an effective registration statement is required to enable Seller to complete the liquidation. Company's registration obligation may be accomplished by an earlier filed registration statement that has the same effect with respect to the distribution of the Shares as part of the liquidation as the Registration Statement would have and provided that such distribution is made in a manner reasonably satisfactory to Seller.

(b) In connection with the foregoing, Company will:

(i) Prepare and file with the SEC a Registration Statement with respect to the Registrable Securities and use its best efforts to cause such Registration Statement to become and remain effective.

(ii) Prepare and file with the SEC such amendments and supplements to such Registration Statement and the prospectus used in connection therewith as may be necessary to keep such Registration Statement effective and to comply with the provisions of the Act with respect to the sale or other disposition of the Registrable Securities whenever the Seller of such securities shall desire to sell the same.

(iii) Furnish to the Seller such number of copies of a summary prospectus or other prospectus, including a preliminary prospectus, in conformity with the requirements of the Act, and such other documents, as the Seller may reasonably request in order to facilitate the sale of the Registrable Securities owned by the Seller.

(iv) Register or qualify the Registrable Securities under applicable blue sky laws, and do such other reasonable acts and things as may be required in jurisdictions to which such blue sky laws apply; provided, however, that the Company shall not be obligated to file any general consent to service of process or qualify as a foreign corporation in any jurisdiction.

(v) Furnish at the request of the Seller, on the date that the Registration Statement with respect to the Registrable Securities becomes effective, an opinion, dated as of such date, of the independent counsel representing the Company for the purposes of such registration, addressed to the Seller stating that such Registration Statement has become effective under the Act and that, to the best knowledge of such counsel, no stop order suspending the effectiveness thereof has been issued and no proceedings for that purpose have been instituted or are pending or contemplated under the Act.

(vi) Use reasonable best efforts to prevent the issuance of any stop order or other order suspending the effectiveness of the Registration Statement and, if such an order is issued, to obtain the withdrawal thereof at the earliest possible time and to notify the Seller of the issuance of such order and the resolution thereof.

(vii) Furnish to the Seller, two trading days after the date that any Registration Statement becomes effective or after a stop order has been lifted, a letter, dated such date, of outside counsel representing the Company, addressed to the Seller, confirming the effectiveness of such Registration Statement and, to the knowledge of such counsel, the absence of any stop order.

(viii) Provide to the Seller and its representatives, if requested, the opportunity to conduct a reasonable inquiry of the Company's financial and other records during normal business hours and make available its officers, directors and employees for questions regarding information which the Seller may reasonably request in order to fulfill any due diligence obligation on its part; provided that in the case of this clause (viii), the Company shall not be required to provide, and shall not provide, the Seller with material, non-public information unless the Seller agrees to receive such information and enters into an agreement to keep such material, nonpublic information confidential and refrain from trading in any Company security for so long as such information remains material, nonpublic information.

(c) All of the expenses incurred in complying with the foregoing, including, without limitation, all registration and filing fees (including all expenses incident to filing with the FINRA), printing expenses, fees and disbursements of counsel for the Company, expenses of any special audits incident to or required by any such registration and expenses of complying with the securities or blue sky laws of any jurisdictions, but excluding brokerage or underwriting fees or commissions, shall be paid by the Company.

(d) The Company shall furnish to the Seller, not less than three (3) days prior to the filing of a Registration Statement or any related prospectus or amendment or supplement thereto (including any document that would be incorporated or deemed to be incorporated therein by reference), copies of all such documents proposed to be filed, which documents will be subject to the review of the Seller. The Company shall reflect in each such document when so filed with the SEC such comments relating to the Seller and its plan of distribution of the Registrable Securities as the Seller may reasonable propose.

(e) (i) Each document filed or to be filed with the SEC pursuant to the Exchange Act and incorporated by reference in any Registration Statement complied or will comply when so filed in all material respects with the Exchange Act, (ii) each part of each Registration Statement, when such part shall become effective, will not contain, and each such part, as amended or supplemented, if applicable, will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading, (iii) each Registration Statement will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading, (iv) each Registration Statement and prospectus, as may be amended or supplemented, will comply in all material respects with the Act, and (v) each prospectus, as may be amended or supplemented, will not, at the time of each sale of the Shares by the Seller, contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, except that the representations and warranties set forth in this paragraph will not apply to statements or omissions in any Registration Statement or prospectus based upon information relating to the Seller furnished to the Company in writing by the Seller expressly for use therein.

SECTION 8.5. Cooperation on Taxes.

Buyer and Company, on the one hand, and Seller, on the other hand, will cooperate in good faith for the purpose of maximizing the value of any tax loss carryforward amounts that could be available to Buyer or Company after the Closing. Neither party will knowingly take any actions that adversely affect the tax consequences of the other without the other party's consent.

SECTION 8.6. Further Actions.

Following the Closing Date, Buyer and Company will use commercially reasonable efforts (i) to take, or cause to be taken, all actions necessary, proper or advisable to satisfy the conditions to closing in order to consummate and make effective the transactions contemplated by this Agreement, and (ii) to obtain any consents, licenses, permits, waivers, approvals, authorizations or orders required to be obtained or made in connection with the authorization, execution and delivery of this Agreement and the consummation of the transactions contemplated by this Agreement. Furthermore, to the extent necessary following the Closing Date, Buyer and Company will use commercially reasonable efforts to take, or cause to be taken, all further actions necessary, proper or advisable in connection with the consummation of the transactions contemplated by this Agreement.

ARTICLE IX.

CONDITIONS

SECTION 9.1. Conditions to Obligations of Buyer and Company.

The obligations of each of Buyer and the Company to purchase the Purchased Assets being sold on the Closing Date and to assume the related Assumed Liabilities is subject to the satisfaction on and as of the Closing Date of each of the following conditions:

(a) Representations and Warranties. The representations and warranties of Seller set forth in this Agreement will be true and correct in all material respects with respect to such Purchased Assets (other than representations and warranties that contain materiality qualifications, which shall be true and correct in all respects) as of the Closing Date as though made on and as of the Closing Date, except to the extent such representations and warranties expressly relate to an earlier date (in which case such representations and warranties will be true and correct as of such earlier date).

(b) Performance of Obligations of Seller. Seller will have performed or complied in all material respects with all obligations, conditions and covenants required to be performed by it under this Agreement at or prior to the Closing Date.

(c) No Litigation, Injunctions, or Restraints. No temporary restraining order, preliminary or permanent injunction or other legal restraint or prohibition preventing the consummation of the transactions contemplated by this Agreement will be threatened or in effect.

(d) Deliveries. Seller will have duly executed and delivered to Buyer and Company, dated as of the Closing Date, the documents referred to in Section 4.2(a) and 4.2(b), respectively.

SECTION 9.2. Conditions to the Obligations of Seller.

The obligations of Seller to sell, assign, convey, and deliver the Purchased Assets being sold on the Closing Date to Buyer are subject to the satisfaction on and as of the Closing Date of each of the following conditions:

(a) Representations and Warranties. The representations and warranties of Buyer and Company set forth in this Agreement will be true and correct in all material respects (other than representations and warranties that contain materiality qualifications, which shall be true and correct in all respects) as of the Closing Date as though made on and as of the Closing Date, except to the extent such representations and warranties expressly relate to an earlier date (in which case such representations and warranties will be true and correct as of such earlier date).

(b) Performance of Obligations of Buyer and Company. Buyer and Company will have each performed in all material respects all obligations required to be performed by them under this Agreement at or prior to the Closing Date.

(c) No Litigation, Injunctions, or Restraints. No temporary restraining order, preliminary or permanent injunction or other legal restraint or prohibition preventing the consummation of the transactions contemplated by this Agreement will be threatened or in effect.

(d) Deliveries. Buyer will have duly executed and delivered to Seller, dated as of the Closing Date, in each case appropriately executed, the documents referred to in the relevant subsection of Section 4.2(b). Company will have duly executed and delivered to Seller, dated as of the Closing Date, in each case appropriately executed, the documents referred to in the relevant subsection of Section 4.2(b)

ARTICLE X.

TERMINATION, AMENDMENT AND WAIVER

SECTION 10.1. Termination.

(a) Notwithstanding anything to the contrary in this Agreement, this Agreement may be terminated and the transactions contemplated hereby abandoned at any time prior to the Closing by mutual written consent of Seller, on the one hand, and Buyer and Company, on the other hand;

(b) In the event of termination of this Agreement pursuant to this Section 10.1, the transactions contemplated by this Agreement will be terminated, without further action by any party. If the transactions contemplated by this Agreement are terminated as provided herein:

(i) Buyer and Company will return all documents and other material received from Seller relating to the Products, the Purchased Assets, or the transactions contemplated hereby, whether so obtained before or after the execution hereof, to Seller and, if applicable, Seller shall return the Purchase Price to Company; and

(ii) all confidential information received by Buyer and Company with respect to Seller, the Products or the Purchased Assets will be treated as confidential information.

(c) If this Agreement is terminated, no party hereto and none of their respective directors, officers, shareholders, Affiliates or controlling Persons shall have any further liability or obligation under this Agreement, except that nothing herein will be deemed to release any party from any liability for any breach by such party of the terms and provisions of this Agreement.

SECTION 10.2. Amendments and Waivers.

This Agreement may not be amended except by an instrument in writing signed on behalf of each of the parties hereto. By an instrument in writing, Buyer or Company, on the one hand, or Seller, on the other hand, may waive compliance by the other party with any term or provision of this Agreement that such other party was or is obligated to comply with or perform.

ARTICLE XI.

SURVIVAL

None of the representations and warranties of Seller, Buyer and Company contained herein or made pursuant hereto shall survive the Closing Date

ARTICLE XII.

GENERAL PROVISIONS

SECTION 12.1. Expenses.

Except as otherwise specified in this Agreement, all costs and expenses, including fees and disbursements of counsel, financial advisors and accountants, incurred in connection with this Agreement and the transactions contemplated hereby will be paid by the party incurring such costs and expenses; provided, however, that expenses of Seller in the nature of those described in IRS Revenue Ruling 73-54, 1973-1 C.B. 187 (including, without limitation, fees and disbursements of counsel, financial advisors and accountants) shall be paid by Buyer or Company.

SECTION 12.2. Further Assurances and Actions.

Each of the parties hereto, upon the request of the other party hereto, whether before or after the Closing and without further consideration, will do, execute, acknowledge and deliver or cause to be done, executed, acknowledged or delivered all such further acts, deeds, documents, assignments, transfers, conveyances, powers of attorney and assurances as may be reasonably necessary to effect complete consummation of the transactions contemplated by this Agreement. Seller, Buyer and Company agree to execute and deliver such other documents, certificates, agreements and other writings and to take such other actions as may be reasonably necessary in order to consummate or implement expeditiously the transactions contemplated by this Agreement.

SECTION 12.3. Notices.

All notices and other communications required or permitted to be given or made pursuant to this Agreement shall be in writing signed by the sender and shall be deemed duly given (a) on the date delivered, if personally delivered, (b) on the date sent by telecopier with automatic confirmation by the transmitting machine showing the proper number of pages were transmitted without error, (c) on the Business Day after being sent by Federal Express or another recognized overnight mail service which utilizes a written form of receipt for next day or next business day delivery or (d) two (2) Business Days after mailing, if mailed by U.S. postage-prepaid certified or registered mail, return receipt requested, in each case addressed to the applicable party at the address set forth below; provided that a party may change its address for receiving notice by the proper giving of notice hereunder:

if to Seller, to:

Aero Pharmaceuticals, Inc.
4400 Biscayne Blvd.

Miami, Florida 33137
Attn: Dr. Jane Hsiao, President and James Martin, Vice President of Finance
Fax: (305) 575-4130

if to Buyer, to:

Baker Cummins Corp.
4400 Biscayne Blvd.
Miami, Florida 33137
Attn: Elliot Maza, President

if to the Company, to:

Biozone Pharmaceuticals, Inc.
4400 Biscayne Blvd.
Miami, Florida 33137
Attn: Roberto Prego-Novo, President

SECTION 12.4. Headings.

The table of contents and headings contained in this Agreement are for reference purposes only and will not affect in any way the meaning or interpretation of this Agreement.

SECTION 12.5. Severability.

If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced under any law or public policy, all other terms and provisions of this Agreement will nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto will negotiate in good faith to modify this Agreement so as to effect the original intent of the parties hereto as closely as possible in an acceptable manner in order that the transactions contemplated hereby are consummated as originally contemplated to the greatest extent possible.

SECTION 12.6. Counterparts.

This Agreement may be executed in one or more counterparts, all of which will be considered one and the same agreement and will become effective when one or more counterparts have been signed by each of the parties hereto and delivered to the other parties hereto, it being understood that all parties hereto need not sign the same counterpart.

SECTION 12.7. Entire Agreement; No Third-Party Beneficiaries.

This Agreement and the Exhibits and Schedules hereto constitute the entire agreement and supersede all prior agreements and understandings, both written and oral (including any letter of intent, memorandum of understanding or term sheet), between or among the parties hereto with respect to the subject matter hereof. Except as specifically provided herein, this Agreement is not intended to confer upon any Person other than the parties hereto any rights or remedies hereunder or thereunder.

SECTION 12.8. Governing Law.

This Agreement and any and all matters arising directly or indirectly herefrom shall be governed by and construed and enforced in accordance with the laws of the State of Florida applicable to agreements made and to be performed entirely in such State.

SECTION 12.9. Jurisdiction, Venue, Service of Process.

Each of the Company, Buyer and Seller agree to irrevocably submit to the exclusive jurisdiction of the United States District Court for the Southern District of Florida or the state courts of Florida for the purposes of any suit, action or other proceeding arising out of this Agreement or any transaction contemplated hereby. Each Party agrees to commence any such action, suit or proceeding in such courts. Each party further agrees that service of any process, summons, notice or document by U.S. registered mail to such party's respective address set forth in Section 12.3 of this Agreement shall be effective service of process for any action, suit or proceeding in Florida with respect to any matters to which it has submitted to jurisdiction in this Agreement. Each party irrevocably and unconditionally waives any objection to the laying of venue of any action, suit or proceeding arising out of this Agreement or the transactions contemplated hereby in such courts.

SECTION 12.10. Specific Performance.

The parties hereto agree that irreparable damage would occur in the event any provision of this Agreement were not performed in accordance with its terms and that the parties hereto will be entitled to specific performance of such terms, in addition to any other remedy at law or in equity, without the necessity of demonstrating the inadequacy of monetary damages and without the posting of a bond.

SECTION 12.11. Publicity.

Either party may make any public disclosure concerning the transactions contemplated hereby that in the view of such party's counsel may be required by law or the rules of any stock exchange on which such party's or its Affiliates' securities trade; provided, however, the party making such disclosure will provide the non-disclosing party with a copy of the intended disclosure reasonably, and to the extent practicable, prior to public dissemination, and the parties hereto will coordinate with one another regarding the timing, form and content of such disclosure.

SECTION 12.12. Assignment.

Neither party may assign its rights or obligations under this Agreement without the prior written consent of the other party; provided, however, that either party may assign its rights and obligations under this Agreement, without the prior written consent of the other party, to an Affiliate or to a successor of the assigning party by reason of merger, sale of all or substantially all of its assets or any similar transaction. Any permitted assignee or successor-in-interest will assume all obligations of its assignor under this Agreement. No assignment will relieve either party of its responsibility for the performance of any obligation. This Agreement will be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns.

SECTION 12.13. Amendments and Waivers.

This Agreement may not be amended except by an instrument in writing signed on behalf of each of the parties hereto. By an instrument in writing, Buyer or Company, on the one hand, or Seller, on the other hand, may waive compliance by the other party with any term or provision of this Agreement that such other party was or is obligated to comply with or perform.

IN WITNESS WHEREOF, the parties hereto have caused this Asset Purchase Agreement to be signed by their respective representatives thereunto duly authorized, all as of the date first written above.

BIOZONE PHARMACEUTICALS, INC.

By: /s/ Roberto Prego-Novo
Name: Roberto Prego-Novo
Title: President

BAKER CUMMINS CORP.

By: /s/ Elliot Maza
Name: Elliot Maza
Title: President

AERO PHARMACEUTICALS, INC.

By: /s/ Dr. Jane Hsiao
Name: Dr. Jane Hsiao
Title: President

Exhibit 10.2

ASSIGNMENT AND ASSUMPTION AGREEMENT

ASSIGNMENT AND ASSUMPTION AGREEMENT made this 16th day of May, 2011, by and among Biozone Pharmaceuticals, Inc., a Nevada corporation (the "Company"), Baker Cummins Corp., the Company's wholly-owned subsidiary and a Nevada corporation (the "Buyer") and Aero Pharmaceuticals, Inc., a Florida corporation (the "Seller").

W I T N E S S E T H

WHEREAS, pursuant to that certain Asset Purchase Agreement, dated as of the date hereof by and among the Company, the Buyer and the Seller (the "Purchase Agreement"), the Seller agrees to assign and transfer to Buyer, and Buyer agrees to purchase, as of the Closing Date, all right, title and interest of Seller under the Contracts and all rights, title and interest of Seller being transferred pursuant to Section 2.1(a) of the Purchase Agreement; and

WHEREAS, pursuant to the Purchase Agreement, the Buyer agrees to assume all of the Assumed Liabilities as of the Closing Date.

NOW THEREFORE, in consideration of the premises and in accordance with the provisions of the Purchase Agreement, and for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto hereby agree as follows:

SECTION 1. Definitions.

1.1. Unless otherwise herein defined all terms used herein shall have the respective meanings ascribed to them in the Purchase Agreement.

1.2. Words importing singular number shall include the plural number and vice versa. The words "herein," "herewith," "hereby," "hereof' and words of similar import shall refer to this Agreement as a whole, and not any particular section, provisions or subdivision of this Agreement.

SECTION 2. Assignment of Interest.

Seller hereby assigns and transfers to Buyer all right, title and interest of Seller under the Contracts and all right, title and interest of Seller being transferred pursuant to Section 2.1(a) of the Purchase Agreement.

SECTION 3. Assignment and Assumption of Assumed Liabilities.

3.1. Seller hereby transfers and assigns to Buyer, all of the Assumed Liabilities. Such transfer and assignment is effective as of the date hereof.

3.2. The Buyer hereby absolutely and irrevocably accepts and assumes to be solely liable and responsible for and to perform, satisfy and discharge all rights, liabilities and obligations of the Seller arising under or pursuant to Assumed Liabilities. Such acceptance, assumption and covenant shall be effective as of the date hereof.

3.3. The Buyer hereby absolutely and irrevocably accepts and assumes to be solely liable and responsible for and to pay, perform, discharge and satisfy when due the Assumed Liabilities. Such acceptance, assumption and covenant shall be effective as of the date hereof.

SECTION 4. Separate Agreement.

Notwithstanding any other provisions of this Agreement to the contrary, nothing contained herein shall in any way supersede, modify, replace, amend, change, rescind, waive, exceed, expand, enlarge or in any way affect the provisions, including the warranties, covenants, agreements, conditions, representations or, in general any of the rights and remedies, and any of the obligations of Company, Buyer or Seller set forth in the Purchase Agreement nor shall this agreement expand or enlarge any remedies under the Purchase Agreement.

SECTION 5. Non-Merger; Miscellaneous.

5.1. The agreements, obligations, assumptions and covenants of the Buyer and the Seller under the Purchase Agreement are not merged into this agreement and shall, to the extent provided in the Purchase Agreement, survive the execution and delivery of this agreement, and the performance of the consummation of all transactions provided for in the Purchase Agreement.

5.2. This Assignment and Assumption Agreement shall be binding upon and enforceable against the Buyer, its assigns and successors.

5.3. This Assignment and Assumption Agreement shall be governed by and construed with in accordance with the internal laws of the State of Florida, without giving effect to the conflicts of laws principles thereof.

5.4. This Assignment and Assumption Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original and all of which, when taken together, shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

BIOZONE PHARMACEUTICALS, INC.

By: /s/ Robert Prego-Novo
Name: Robert Prego-Novo
Title: President

BAKER CUMMINS CORP.

By: /s/ Elliot Maza
Elliot Maza
President

AERO PHARMACEUTICALS, INC.

By: /s/ Dr. Jane Hsiao
Dr. Jane Hsiao
President

Exhibit 10.3

BILL OF SALE

This BILL OF SALE (the "Bill of Sale"), dated as of the 16th day of May, 2011, is made and delivered by AERO PHARMACEUTICALS, INC., a Florida corporation ("Seller"), to BAKER CUMMINS CORP., a Nevada corporation ("Buyer"), pursuant to, and subject to the terms of, the Asset Purchase Agreement (the "Asset Purchase Agreement") dated as of the date hereof by and among Seller, Buyer and Biozone Pharmaceuticals, Inc. (the "Company"). The terms of the Asset Purchase Agreement are incorporated herein by reference and capitalized terms used herein and not otherwise defined shall have the meaning ascribed thereto in the Asset Purchase Agreement.

NOW, THEREFORE, subject to and in accordance with the terms and conditions of the Asset Purchase Agreement and for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Seller and Buyer hereby each agree as follows:

Seller hereby irrevocably and unconditionally sells, conveys, assigns, grants, transfers and delivers to Buyer and its successors and assigns, to its and their own use and benefit forever, and Buyer hereby purchases, acquires and accepts, all of Seller's right, title and interest in and to all of the tangible Purchased Assets, free and clear of any liens, charges or other encumbrances.

All of the terms and provisions of this Bill of Sale shall be binding upon Seller and its successors and assigns, and shall inure to the benefit of Buyer and its successors and assigns.

This Bill of Sale is intended only to document the sale and assignment of the tangible Purchased Assets to Buyer, and that the Asset Purchase Agreement is the exclusive source of the agreement and understanding between Seller and Buyer respecting the Assets. Nothing in this Bill of Sale shall limit, expand or otherwise affect any of the representations, warranties or covenants contained in the Asset Purchase Agreement. To the extent any term or provision herein is inconsistent with the Asset Purchase Agreement, the terms and provisions of the Asset Purchase Agreement shall control.

This Bill of Sale may be executed in facsimile and in one or more counterparts, each of which shall be deemed an original and all of which together shall constitute a single instrument.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the undersigned have executed this Bill of Sale as of the date first set forth above.

BAKER CUMMINS CORP.

By: /s/ Elliot Maza
Elliot Maza
President

AERO PHARMACEUTICALS, INC.

By: /s/ Dr. Jane Hsiao
Name: Dr. Jane Hsiao
Title: President

Exhibit 10.11

AMENDMENT NO. 1 TO ASSET PURCHASE AGREEMENT

THIS AMENDMENT NO. 1 TO ASSET PURCHASE AGREEMENT (this "Amendment"), dated as of April 25, 2011 (the "Effective Date"), is made by and between AERO PHARMACEUTICALS, INC., a Florida corporation ("Aero"), and TEVA RESPIRATORY, LLC, a Florida limited liability company ("Teva Respiratory").

WHEREAS, Aero and IVAX Laboratories, Inc., a Florida corporation ("IVAX Laboratories"), entered into that certain Asset Purchase Agreement dated as of September 25, 2006 (the Asset Purchase Agreement");

WHEREAS, (i) IVAX Laboratories was converted into a Florida limited liability company on January 1, 2007, and simultaneously therewith changed its name to Teva Specialty Pharmaceuticals, LLC, and (ii) Teva Specialty Pharmaceuticals, LLC changed its name to Teva Respiratory, LLC on April 22, 2009;

WHEREAS, under Article III of the Asset Purchase Agreement, Aero has certain reporting and royalty payment obligations (the "Obligations") to Teva Respiratory with respect to the Baker Cummins Products and the Licensed Products (in each case defined as in the Asset Purchase Agreement), which obligations have not been complied with to date;

WHEREAS, Aero no longer has the rights to sell the Licensed Products; and

WHEREAS, the parties hereto desire to amend the Asset Purchase Agreement in order to terminate the Obligations;

NOW, THEREFORE, in consideration of the premises and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. Payment of Outstanding Royalties. On the date hereof, Aero has paid to the order of Teva Respiratory's affiliate, TEVA Pharmaceuticals USA, Inc., by wire transfer, for value today, the amount of Two Hundred Twenty Four Thousand United States Dollars (US$ 224,000) in satisfaction of all outstanding and unpaid royalties owing under the Asset Purchase Agreement that have been accrued during the period from September 25, 2006 to the date hereof. On behalf of TEVA Pharmaceuticals USA, Inc., Teva Respiratory hereby acknowledges receipt of such wire transfer.

2. Termination of Obligations. Effective on the date hereof, the Asset Purchase Agreement is hereby amended by removing Article III, which shall be of no further force and effect.

[*REMAINDER OF PAGE INTENTIONALLY LEFT BLANK*]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be signed by their respective representatives thereunto duly authorized, all as of the date first written above.

AERO PHARMACEUTICALS, INC.

By: _____
Name: JANE H. HSIAO
Title: PRESIDENT

TEVA RESPIRATORY, LLC

By: _____
Name:
Title:

By: _____
Name:
Title:

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be signed by their respective representatives thereunto duly authorized, all as of the date first written above.

AERO PHARMACEUTICALS, INC.

By: _____
Name:
Title:

TEVA RESPIRATORY, LLC

By: _____
Name: Deborah Griffin
Title: VP + CFO

LEGAL AFFAIRS ADX

By: _____
Name: Brian Shanahan
Title: Assistant Secretary

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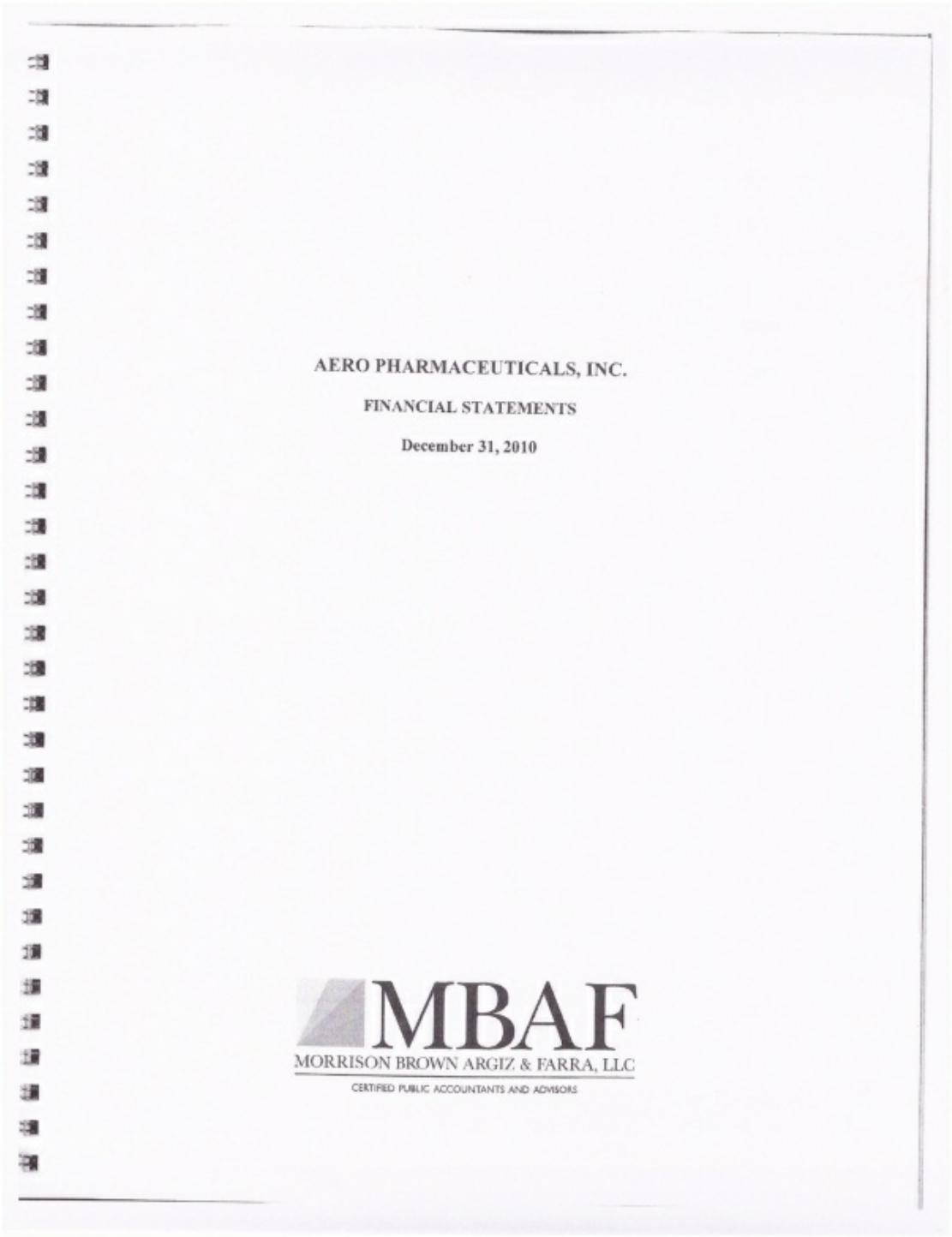
Exhibit 21

List of Subsidiaries

Baker Cummins Corp. (100%)
ISR de Mexico, S. de R.L. de C. V. (55%)

Exhibit 99.1


AERO PHARMACEUTICALS, INC.
FINANCIAL STATEMENTS
December 31, 2010
MBAF
MORRISON BROWN ARGIZ & FARRA, LLC
CERTIFIED PUBLIC ACCOUNTANTS AND ADVISORS

AERO PHARMACEUTICALS, INC.
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DECEMBER 31, 2010

MBAF

MORRISON BROWN ARGIZ & FARRA, LLC

CERTIFIED PUBLIC ACCOUNTANTS AND ADVISORS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors
of Aero Pharmaceuticals, Inc.

We have audited the accompanying balance sheet of Aero Pharmaceuticals, Inc. (the "Company") as of December 31, 2010, and the related statements of operations, changes in shareholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards as established by the Auditing Standards Board (United States) and in accordance with the auditing standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Aero Pharmaceuticals, Inc. as of December 31, 2010, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Morrison, Brown, Argiz & Farra

Miami, Florida
March 9, 2011

AERO PHARMACEUTICALS, INC.
BALANCE SHEET
DECEMBER 31, 2010

ASSETS

CURRENT ASSETS		
Cash and Cash Equivalents	$	850,444
Accounts Receivable, net		25,644
Inventory		43,520
Other Current Assets		40,412
Total Current Assets		**960,020**
PROPERTY AND EQUIPMENT, NET		3,819
	$	**963,839**

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES		
Accounts Payable and Accrued Liabilities	$	9,949
Royalties Payable		278,460
Total Current Liabilities		**288,409**
COMMITMENTS AND CONTINGENCIES (NOTES 7 and 8)		
SHAREHOLDERS' EQUITY		
Preferred Stock, No Par Value; 10,000,000 Shares Authorized; No Shares Issued and Outstanding		–
Class A Preferred Stock, No Par Value; 10,000,000 Shares Authorized; No Shares Issued and Outstanding		–
Class B Preferred Stock, No Par Value; 10,000,000 Shares Authorized; No Shares Issued and Outstanding		–
Common Stock, No Par Value; 200,000,000 Shares Authorized; 150,070,000 Shares Issued; 111,145,001 Shares Outstanding		8,839,396
Class B Common Stock, Par Value $0.03; 10,000,000 Shares Authorized; No Shares Issued and Outstanding		–
Accumulated deficit		(7,871,142)
Less Treasury Stock, at cost (38,924,999 Shares)		(292,824)
Total Shareholders' Equity		**675,430**
Total Liabilities and Shareholders' Equity	$	**963,839**

The accompanying Notes are an integral part of these Financial Statements

AERO PHARMACEUTICALS, INC.
STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2010

REVENUE		
Product Sales	$	331,391
Sales Returns, Rebates and Discounts		(36,012)
Revenue, Net		**295,379**
COST OF SALES		
Cost of Goods Sold		92,139
Shipping and Handling		23,106
Royalty Expense		28,445
Total Cost of Sales		**143,690**
Gross Profit		**151,689**
SELLING, GENERAL AND ADMINISTRATIVE EXPENSE		**219,902**
Loss from Operations		**(68,213)**
OTHER INCOME AND EXPENSE, NET		
Interest Expense, Net		(32,484)
Total Other Income and Expense, Net		**(32,484)**
Net Loss	$	**(100,697)**

The accompanying Notes are an integral part of these Financial Statements

AERO PHARMACEUTICALS, INC.
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
YEAR ENDED DECEMBER 31, 2010

	Common Stock		Treasury Stock		Accumulated	
	Shares	Amount	Shares	Amount	Deficit	Total
Balance at December 31, 2009	150,070,000	$ 8,839,396	(38,924,999)	$ (292,824)	$ (7,770,445)	$ 776,127
Net loss	–	–	–	–	(100,697)	(100,697)
Balance at December 31, 2010	150,070,000	$ 8,839,396	(38,924,999)	$ (292,824)	$ (7,871,142)	$ 675,430

The accompanying Notes are an integral part of these Financial Statements

AERO PHARMACEUTICALS, INC
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2010

CASH FLOWS FROM OPERATING ACTIVITIES		
Net Loss	$	(100,697)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation and amortization		9,280
Benefit from reversal of provision for doubtful accounts		(31,012)
Changes in Operating Assets and Liabilities		
Decrease in Accounts Receivable		34,894
Decrease in Inventory		25,692
Increase in Other Current Assets		(31,896)
Decrease in Accounts Payable and Accrued Liabilities		(88,687)
Increase in Royalties Payable		62,327
Net Cash Used In Operating Activities		**(120,099)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sale of Investments		261
Net Cash Provided By Investing Activities		**261**
Net Decrease in Cash and Cash Equivalents		**(119,838)**
Cash and cash equivalents, beginning of year		970,282
Cash and cash equivalents, end of year	$	850,444

The accompanying Notes are an integral part of these Financial Statements

NOTE 1: NATURE OF BUSINESS

Aero Pharmaceuticals, Inc. (the "Company") was incorporated in Florida on July 10, 1997. During 2010, the Company's operations consisted primarily of the sale of dermatology-related pharmaceutical products.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates, and the differences could be material.

Cash and Cash Equivalents

For purposes of reporting cash flows, the Company considers all highly liquid short-term investments purchased with an original maturity date of three months or less to be cash equivalents. The Company includes overnight repurchase agreements securing its depository bank accounts (sweep accounts) in its cash balances. At December 31, 2010, the Company had approximately $108,000 on deposit in such sweep accounts.

Allowances for Doubtful Accounts and Sales Adjustments

The Company provides an allowance for accounts receivable it believes it may not collect in full. Accounts receivable are recorded at the stated amount of the transactions with the Company's customers. Accounts receivable are written off when they are deemed to be uncollectible and all collection attempts have ceased. The amount of bad debt recorded each period and the resulting adequacy of the allowance at the end of each period are determined using a combination of the Company's historical loss experience, customer-by-customer analysis of the Company's accounts receivable each period and subjective assessments of the Company's future bad debt exposure.

Additionally, the Company provides an allowance for various subsequent sales adjustments that the Company anticipates providing to various customers. Certain of the Company's customers are entitled to discounts and other adjustments in accordance with their agreements with the Company and the timing of their payments to the Company. The allowance for these adjustments is determined using a combination of historical data as well as a customer-by-customer analysis for those customers entitled to receive certain adjustments.

As of December 31, 2010, the Company had recorded approximately $13,000 of allowances for doubtful accounts and sales adjustments.

Inventory

Inventory, consisting of dermatology products, is recorded at the lower of cost or market using the weighted average method.

Property and Equipment

Property and equipment consist of website development and leasehold improvements and are recorded at cost less accumulated depreciation. Depreciation is recorded using the straight-line method over the estimated useful lives of the assets, which are 3 years for website development and the initial lease term (3 years) for leasehold improvements. Accumulated depreciation as of December 31, 2010 was approximately $24,000.

Impairment

The Company assesses whether there has been permanent impairment of its long-lived assets held and used whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by comparison of the carrying amount of the asset to future net undiscounted cash flows expected to be generated from the use and eventual disposition of the asset. No impairment has been recognized by the Company during the year ended December 31, 2010.

Income Taxes

The Company provides for federal and state income taxes at the applicable federal and state statutory rates. Deferred income taxes are recorded to reflect the tax consequences in future years of differences between the tax bases of assets and liabilities and the amounts recorded for financial reporting purposes. Deferred tax assets are recorded when management considers it to be more likely than not that the deferred tax assets will be realized.

The Company recognizes and measures tax positions taken or expected to be taken in its tax return based on their technical merit and assesses the likelihood that the positions will be sustained upon examination based on the facts, circumstances and information available at the end of each period. Interest and penalties on tax liabilities, if any, would be recorded in interest expense and other income and expense, respectively.

Revenue Recognition

Revenue is recognized when product is delivered, pricing is final or determinable, and collection is reasonably assured.

Taxes Assessed on Revenue Producing Transactions

The Company presents sales taxes on revenue-producing transactions between a seller and customer using the net presentation: thus, sales and cost of revenues are not affected by such taxes.

Shipping and Handling

The Company's shipping and handling costs are included in cost of sales and amounted to $23,106 during the year ended December 31, 2010.

Subsequent Events

The Company has evaluated subsequent events through March 9, 2011, which is the date the financial statements were available to be issued.

Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable, accrued liabilities and royalties payable approximate fair value due to the short term maturities of the instruments. Under GAAP, fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

The Company has determined that there was no material difference between the carrying value and the fair value of its financial assets and liabilities as of December 31, 2010.

NOTE 3: CONCENTRATIONS OF RISK

Financial instruments and activities that potentially subject the Company to risk consist principally of cash and cash equivalents, sales and accounts receivable, and purchases and accounts payable.

Cash and Cash Equivalents

The Company maintains its cash and cash equivalents at banks and financial institutions it considers to be of high credit quality; however the Company's cash deposits may at times be in excess of the FDIC limit. The Company's deposits at banks above the Federal Deposit Insurance Corporation ("FDIC") limit are maintained in sweep accounts that are collateralized by overnight repurchase agreements. The Company has not experienced losses on these accounts, and management believes that the Company is not exposed to significant risks on such accounts.

Sales and Accounts Receivable

The Company grants credit to customers, substantially all of whom are distribution and medical parties located throughout the United States. The Company typically does not require collateral from customers. The Company incurs significant credit risk due to the concentration of revenues and accounts receivable from three major customers.

The Company is dependent on three customers for a significant portion of its business. During the year ended December 31, 2010, approximately 58% of the Company's revenue was generated by sales of products to these customers. The following table summarizes the percentage of total revenue and total accounts receivable from these three customers:

Customer	Percentage of Total Sales for the Year Ended December 31, 2010	Accounts Receivable Outstanding as of December 31, 2010
A	26%	$ 8,661
B	20%	5,209
C	12%	13,513
	58%	$ 27,383

The loss of any of these customers could have a material adverse effect on the Company's financial position, results of operations and liquidity. The Company believes its relationships with these customers

are good and that it is highly unlikely that any of them will terminate or suspend their purchasing activity. However, the Company is making efforts to mitigate this risk by diversifying its customer base.

Purchases and Accounts Payable

During the year ended December 31, 2010, one vendor accounted for 100% of the Company's product purchases. There were no accounts payable to this vendor at December 31, 2010. Should this vendor stop selling to the Company, it could have a material adverse effect on the Company's financial position, results of operations and liquidity. The Company believes its relationship with this vendor is good and that it is highly unlikely that it will refuse to fill future orders. The Company has the ability to procure its products from other vendors and management believes that it could satisfactorily mitigate any such loss of production by reallocating purchases to such other vendors. The Company has given a cash deposit to an alternative local vendor in anticipation of fulfilling future inventory orders. No orders have been placed, but it is likely an order will be placed in 2011. The Company has purchased the remaining raw materials from the previous vendor in anticipation of transferring them to the new vendor to produce inventory product.

NOTE 4: INVENTORY

Inventory consists of the following at December 31, 2010:

Raw Materials	$ 21,724
Dermatology Products	21,796
	$ 43,520

The Company recorded a valuation adjustment to inventory of approximately $5,573 during the year ended December 31, 2010 for inventory that had passed or was approaching its expiration date. This adjustment is included in cost of goods sold in the accompanying statement of operations.

On September 25, 2006, the Company entered into an agreement to acquire inventory consisting of certain dermatology related products from another pharmaceutical company. The Company's inventory acquisition agreement set no price for the acquired inventory, but requires the Company to pay quarterly royalties based on the Company's net sales of certain dermatology products. These royalties approximate 10% of net sales until the Company has incurred $1,000,000 in cumulative royalties and 5% of net sales through the remainder of the royalty period, which ends December 31, 2021. Royalty expense recognized under this agreement during the year ended December 31, 2010 totaled approximately $28,445. Total royalties payable under this agreement as of December 31, 2010, including accrued interest, was $278,460.

NOTE 5: INCOME TAXES

The Company accounts for income taxes using the asset and liability method, the objective of which is to establish deferred tax assets and liabilities for the temporary differences between the financial reporting and the tax bases of the Company's assets and liabilities at enacted tax rates expected to be in effect when such amounts are realized or settled. A valuation allowance related to deferred tax assets is recorded when it is more likely than not that some portion or all of the deferred tax assets will not be realized.

The difference between income taxes at the statutory federal income tax rate and income taxes reported in the statement of operations are attributable to the following:

	December 31, 2010
Income tax benefit at the federal statutory rate	34.00%
State and local income taxes, net of effect of federal taxes	3.63
Increase in valuation allowance	(37.63)
Provision for income tax	0.00%

As of December 31, 2010, the Company's deferred tax asset of $2,132,535 consisted primarily of net operating loss carry forwards of approximately $5,376,000 which expire in varying amounts through 2028. The ability to utilize such losses is dependent upon the Company's ability to generate future income. The Company recorded a full valuation allowance with respect to any future tax benefits arising from the deferred tax assets due to the uncertainty of their ultimate realization. The net increase in the valuation allowance was approximately $38,000 for the year ended December 31, 2010.

For the year ended December 31, 2010, the Company did not have any unrecognized tax benefits as a result of tax positions taken during a prior period or during the current period. No interest or penalties have been recorded as a result of tax uncertainties.

The U.S. Federal jurisdiction and Florida are the major tax jurisdictions where the Company files income tax returns. Tax years ranging from 2007 to 2010 remain open to examination as the statute of limitations has not expired. Because the Company is carrying forward income tax attributes, such as net operating losses, from 2004 and earlier tax years, these attributes can still be audited when utilized on returns filed in the future.

NOTE 6: SHAREHOLDERS' EQUITY

Common Stock - The Company has authorized 200,000,000 shares of no par value Common Stock ("Common Stock") and 10,000,000 shares of $0.03 per share par value, non-voting, Class B Common Stock ("Class B Common Stock"). The Class B Common Stock may be converted by the Company into shares of Common Stock on a one-for-one basis, and it is automatically convertible into shares of Common Stock on a one-for-one basis upon a change of control or upon any of the Company's other securities becoming eligible to be publicly traded. In the case of dissolution Class B Common Stock is subordinate to all other shareholders. No Class B Common Stock was outstanding at December 31, 2010.

Preferred Stock - The Company has authorized 30,000,000 shares of no par value, non-voting Preferred Stock, including 10,000,000 shares designated Class A Preferred Stock and 10,000,000 shares designated Class B Preferred Stock. The Class A and Class B Preferred Stock carry liquidation preferences above the Common Shareholders and are subject to any superior rights given to holders of any other series of Preferred Stock. The Class A and Class B Preferred Stock are convertible on a one-for-one basis into shares of Common Stock at any time at the option of the Shareholder or the Company, and they are automatically convertible on the same basis upon the Common Stock becoming eligible to be publicly traded. No Preferred Stock was outstanding at December 31, 2010.

Treasury Stock – In 2009 the Company reacquired 38,924,999 shares of Common Stock for aggregate consideration of $292,824.

NOTE 7: RELATED PARTY TRANSACTIONS

Operating Leases

Effective November 1, 2009, the Company entered into a lease for office and warehouse space from a related party under a non-cancelable operating lease that expires October 31, 2012. Rent expense under this lease during 2010 was approximately $25,000 and is included in selling, general and administrative expenses in the accompanying statement of operations. As of December 31, 2010, there were no outstanding accounts payable related to this lease.

At December 31, 2010, aggregate future minimum lease payments under the non-cancelable operating lease was approximately $45,000, including approximately $24,000 and $21,000 for the years ending December 31, 2011 and 2012, respectively.

Shared Services

During 2010, the Company incurred expenses for accounting services provided by a different related entity. The aggregate expense incurred for these services totaled approximately $39,000 during the year ended December 31, 2010. These expenses are included in selling, general and administrative expenses in the accompanying statement of operations. As of December 31, 2010, accounts payable related to these accounting services totaled $3,029.

NOTE 8: LITIGATION

The Company is exposed to various asserted and unasserted potential claims encountered in the normal course of business. In the opinion of management, the resolution of these matters will not have a material effect on the Company's financial position, results of operations or cash flows.

AERO PHARMACEUTICALS, INC.

FINANCIAL STATEMENTS

December 31, 2009

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MBAF
MORRISON BROWN ARGIZ & FARRA, LLP
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors
of Aero Pharmaceuticals, Inc.

We have audited the accompanying balance sheet of Aero Pharmaceuticals, Inc. (the "Company") as of December 31, 2009, and the related statements of operations, changes in shareholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards as established by the Auditing Standards Board (United States) and in accordance with the auditing standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Aero Pharmaceuticals, Inc. as of December 31, 2009, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Morrison, Brown, Argiz & Farra

Miami, Florida
December 17, 2010

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AERO PHARMACEUTICALS, INC.
BALANCE SHEET
DECEMBER 31, 2009

ASSETS

CURRENT ASSETS		
Cash and Cash Equivalents	$	970,282
Accounts Receivable, net		29,526
Inventory		69,212
Other Current Assets		8,516
Total Current Assets		**1,077,536**
PROPERTY AND EQUIPMENT, NET		13,099
OTHER ASSETS		261
	$	**1,090,896**

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES		
Accounts Payable and Accrued Liabilities	$	98,636
Royalties Payable		216,133
Total Current Liabilities		**314,769**
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY		
Preferred Stock, No Par Value; 10,000,000 Shares Authorized; No Shares Issued and Outstanding		–
Class A Preferred Stock, No Par Value; 10,000,000 Shares Authorized; No Shares Issued and Outstanding		–
Class B Preferred Stock, No Par Value; 10,000,000 Shares Authorized; No Shares Issued and Outstanding		–
Common Stock, No Par Value; 200,000,000 Shares Authorized; 150,070,000 Shares Issued; 111,145,001 Shares Outstanding		8,839,396
Class B Common Stock, Par Value $0.03; 10,000,000 Shares Authorized; No Shares Issued and Outstanding		–
Accumulated deficit		(7,770,445)
Less Treasury Stock, at cost (38,924,999 Shares)		(292,824)
Total Shareholders' Equity		776,127
Total Liabilities and Shareholders' Equity	**$**	**1,090,896**

The accompanying Notes are an integral part of these Financial Statements

AERO PHARMACEUTICALS, INC.
STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2009

REVENUE		
Product Sales	$	515,767
Sales Returns, Rebates and Discounts		(55,586)
Revenue, Net		**460,181**
COST OF SALES		
Cost of Goods Sold		178,904
Shipping and Handling		142,829
Royalty Expense		56,033
Total Cost of Sales		**377,766**
Gross Profit		**82,415**
SELLING, GENERAL AND ADMINISTRATIVE EXPENSE		**549,495**
Loss from Operations		**(467,080)**
OTHER INCOME AND EXPENSE, NET		
Interest Expense, Net		(11,253)
Gain on Sale of Investments		220,943
Total Other Income and Expense, Net		**209,690**
Net Loss	**$**	**(257,390)**

The accompanying Notes are an integral part of these Financial Statements

AERO PHARMACEUTICALS, INC.
STATEMENT OF SHAREHOLDERS' EQUITY
YEAR ENDED DECEMBER 31, 2009

	Common Stock		Treasury Stock		Accumulated	
	Shares	Amount	Shares	Amount	Deficit	Total
Balance at December 31, 2008	**150,070,000**	**$ 8,839,396**	**–**	**$ –**	**$ (7,513,055)**	**$ 1,326,341**
Purchase of 38,924,999 Treasury Shares, at cost	–	–	(38,924,999)	(292,824)	–	**(292,824)**
Net loss	–	–	–	–	(257,390)	**(257,390)**
Balance at December 31, 2009	**150,070,000**	**$ 8,839,396**	**(38,924,999)**	**$ (292,824)**	**$ (7,770,445)**	**$ 776,127**

The accompanying Notes are an integral part of these Financial Statements

AERO PHARMACEUTICALS, INC
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2009

CASH FLOWS FROM OPERATING ACTIVITIES		
Net Loss	$	(257,390)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation and amortization		8,491
Gain on sale of held for sale securities		(220,943)
Allowance for doubtful accounts		–
Changes in Assets and Liabilities		
Decrease in Accounts Receivable		49,783
Decrease in Inventory		36,876
Decrease in Other Current Assets		120,300
Decrease in Accounts Payable and Accrued Liabilities		(391,564)
Increase in Royalties Payable		27,524
Net Cash Used In Operating Activities		**(626,923)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment		(2,840)
Proceeds from Sale of Investments		272,451
Net Cash Provided By Investing Activities		**269,611**
CASH FLOWS FROM FINANCING ACTIVITIES		
Purchase of Treasury Stock		(292,824)
Net Cash Used In Financing Activities		**(292,824)**
Net Decrease in Cash and Cash Equivalents		**(650,136)**
Cash and cash equivalents, beginning of period		1,620,418
Cash and cash equivalents, end of period	$	970,282

The accompanying Notes are an integral part of these Financial Statements

NOTE 1: NATURE OF BUSINESS

Aero Pharmaceuticals, Inc. (the "Company") was incorporated in Florida on July 10, 1997. During 2009, the Company's operations consisted primarily of the sale of dermatology-related pharmaceutical products.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement. Actual results could differ from those estimates, and the differences could be material.

Cash and Cash Equivalents

For purposes of reporting cash flows, the Company considers all highly liquid short-term investments purchased with an original maturity date of three months or less to be cash equivalents. The Company includes overnight repurchase agreements securing its depository bank accounts (sweep accounts) in its cash balances. At December 31, 2009, the Company had approximately $398,000 on deposit in such sweep accounts.

Allowances for Doubtful Accounts and Sales Adjustments

The Company provides an allowance for accounts receivable it believes it may not collect in full. Accounts receivable are written off when they are deemed to be uncollectible and all collection attempts have ceased. The amount of bad debt recorded each period and the resulting adequacy of the allowance at the end of each period are determined using a combination of the Company's historical loss experience, customer-by-customer analysis of the Company's accounts receivable each period and subjective assessments of the Company's future bad debt exposure.

Additionally, the Company provides an allowance for various subsequent sales adjustments that the Company anticipates providing to various customers. Certain of the Company's customers are entitled to discounts and other adjustments in accordance with their agreements with the Company and the timing of their payments to the Company. The allowance for these adjustments is determined using a combination of historical data as well as a customer-by-customer analysis for those customers entitled to receive certain adjustments.

As of December 31, 2009, the Company had recorded $43,868 of allowances for doubtful accounts and sales adjustments.

Inventory

Inventory, consisting of dermatology products, is recorded at the lower of cost or market using the weighted average method.

Property and Equipment

Property and equipment consist of website development and leasehold improvements and are recorded at cost. Depreciation is recorded using the straight-line method over the estimated useful lives of the assets, which are 3 years for website development and the initial lease term (3 years) for leasehold improvements. Accumulated depreciation as of December 31, 2009 was approximately $15,000.

Impairment

The Company assesses whether there has been permanent impairment of its long-lived assets held and used whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by comparison of the carrying amount of the asset to future net undiscounted cash flows expected to be generated from the use and eventual disposition of the asset. No impairment has been recognized by the Company during the year ended December 31, 2009.

Income Taxes

The Company provides for federal and state income taxes at the applicable federal and state statutory rates. Deferred income taxes are recorded to reflect the tax consequences in future years of differences between the tax bases of assets and liabilities and the amounts recorded for financial reporting purposes. Deferred tax assets are recorded when management considers it to be more likely than not that the deferred tax assets will be realized.

Revenue Recognition

Revenue is recognized when product is delivered, pricing is final or determinable, and collection is reasonably assured.

Shipping and Handling

The Company's shipping and handling costs are included in cost of sales and amounted to $142,829 during the year ended December 31, 2009.

Advertising

Advertising costs, included in selling, general and administrative expenses, are expensed as incurred and amounted to $73,642 during the year ended December 31, 2009.

Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable, accrued liabilities and royalties payable approximate fair value due to the short maturities of the instruments. Under GAAP, fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

The Company has determined that there was no material difference between the carrying value and the fair value of its financial assets and liabilities as of December 31, 2009.

Effects of Recent Accounting Pronouncements

Subsequent Events - Effective December 31, 2009, the Company adopted authoritative guidance which establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued. In February 2010, the FASB issued additional guidance to remove the requirement for SEC filers to disclose the date through which an entity has evaluated subsequent events. This change removes potential conflicts with current SEC guidance. The guidance was effective upon issuance and had no impact on the Company's financial statements. The Company has evaluated subsequent events through December 17, 2010, which is the date the financial statements were available to be issued.

Codification - In June 2009, the FASB established the FASB Accounting Standards Codification™ ("Codification") as the source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in accordance with GAAP. All existing accounting standard documents are superseded by the Codification, and any accounting literature not included in the Codification will not be authoritative; however, rules and interpretive releases of the SEC issued under the authority of federal securities laws will continue to be sources of authoritative GAAP for SEC registrants. The Codification became effective beginning with the Company's third fiscal quarter of 2009. The Codification does not change or alter existing GAAP and, therefore, has not had any impact on the Company's financial statements.

Uncertain Tax Positions - Effective January 1, 2009, the Company adopted the provisions of an accounting standard which clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with existing accounting guidance on income taxes, and prescribes a recognition threshold and measurement process for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This standard also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. Interest and penalties on tax liabilities, if any, would be recorded in interest expense and other non-interest expense, respectively. The adoption of this standard did not have any effect on the Company's financial statements.

NOTE 3: CONCENTRATIONS OF RISK

Financial instruments and activities that potentially subject the Company to risk consist principally of cash and cash equivalents, sales and accounts receivable, and purchases and accounts payable.

Cash and Cash Equivalents

The Company maintains its cash and cash equivalents at banks and financial institutions it considers to be of high credit quality; however the Company's cash deposits may at times be in excess of the FDIC limit. The Company's deposits at banks above the Federal Deposit Insurance Corporation ("FDIC") limit are maintained in sweep accounts that are collateralized by overnight repurchase agreements. The Company has not experienced losses on these accounts, and management believes that the Company is not exposed to significant risks on such accounts.

Sales and Accounts Receivable

The Company grants credit to customers, substantially all of whom are distribution and medical parties located throughout the United States. The Company typically does not require collateral from customers.

The Company incurs significant credit risk due to the concentration of revenues and accounts receivable from three major customers.

The Company is dependent on three customers for a significant portion of its business. During the year ended December 31, 2009, approximately 53% of the Company's revenue was generated by sales of products to these customers. The following table summarizes the percentage of total revenue and total accounts receivable from these three customers:

Customer	Percentage of Total Sales for the Year Ended December 31, 2009	Accounts Receivable Outstanding as of December 31, 2009
A	23%	$ 13,672
B	18%	13,201
C	12%	15,836
	53%	$ 42,709

The loss of any of these customers could have a material adverse effect on the Company's financial position, results of operations and liquidity. The Company believes its relationships with these customers are good and that it is highly unlikely that any of them will terminate or suspend their purchasing activity. However, the Company is making efforts to mitigate this risk by diversifying its customer base.

Purchases and Accounts Payable

During the year ended December 31, 2009, one vendor accounted for 100% of the Company's product purchases. Accounts payable to the vendor was approximately $0 at December 31, 2009. Should this vendor stop selling to the Company, it could have a material adverse effect on the Company's financial position, results of operations and liquidity. The Company believes its relationship with this vendor is good and that it is highly unlikely that it will refuse to fill future orders. The Company has the ability to procure its products from other vendors and management believes that it could satisfactorily mitigate any such loss of production by reallocating purchases to such other vendors.

NOTE 4: INVENTORY

Inventory consists of the following at December 31, 2009:

Dermatology Products	$ 69,212

The Company recorded a valuation adjustment to inventory of approximately $63,000 during the year ended December 31, 2009 for inventory that had passed or was approaching its expiration date. This adjustment is included in cost of goods sold in the accompanying statement of operations.

On September 25, 2006, the Company entered into an agreement to acquire inventory consisting of certain dermatology related products from another pharmaceutical company. The Company's inventory acquisition agreement set no price for the acquired inventory, but requires the Company to pay quarterly royalties based on the Company's net sales of certain dermatology products. These royalties approximate 10% of net sales until the Company has incurred $1,000,000 in cumulative royalties and 5% of net sales through the remainder of the royalty period, which ends December 31, 2021. Royalty expense recognized

under this agreement during the year ended December 31, 2009 totaled approximately $44,879. Total royalties payable under this agreement as of December 31, 2009, including accrued interest, was $216,133.

NOTE 5: INCOME TAXES

The Company accounts for income taxes using the asset and liability method, the objective of which is to establish deferred tax assets and liabilities for the temporary differences between the financial reporting and the tax bases of the Company's assets and liabilities at enacted tax rates expected to be in effect when such amounts are realized or settled. A valuation allowance related to deferred tax assets is recorded when it is more likely than not that some portion or all of the deferred tax assets will not be realized.

The difference between income taxes at the statutory federal income tax rate and income taxes reported in the statement of operations are attributable to the following:

	December 31, 2009
Income tax benefit at the federal statutory rate	34.00%
State and local income taxes, net of effect of federal taxes	3.63
Increase in valuation allowance	(37.63)
Provision for income tax	0.00%

As of December 31, 2009, the Company's deferred tax asset of $2,095,000 consisted primarily of net operating loss carryforwards of approximately $5,306,000 which expire in varying amounts through 2028. The ability to utilize such losses is dependent upon the Company's ability to generate future income. The Company recorded a full valuation allowance with respect to any future tax benefits arising from the deferred tax assets due to the uncertainty of their ultimate realization. The net increase in the valuation allowance was approximately $97,000 for the year ended December 31, 2009.

On January 1, 2009, the Company adopted the provisions of an accounting standard on uncertainty in income taxes. No liability for unrecognized tax benefits was recorded as a result of implementing this standard. For the year ended December 31, 2009, the Company did not have any unrecognized tax benefits as a result of tax positions taken during a prior period or during the current period. No interest or penalties have been recorded as a result of tax uncertainties.

The U.S. Federal jurisdiction and Florida are the major tax jurisdictions where the Company files income tax returns. Tax years ranging from 2005 to 2009 remain open to examination as the statute of limitations has not expired. Because the Company is carrying forward income tax attributes, such as net operating losses, from 2004 and earlier tax years, these attributes can still be audited when utilized on returns filed in the future. It is the Company's policy to include income tax interest and penalties expense, if any, in interest expense and other non-interest expense, respectively.

NOTE 6: SHAREHOLDERS' EQUITY

Common Stock - The Company has authorized 200,000,000 shares of no par value Common Stock ("Common Stock") and 10,000,000 shares of $.03 per share par value, non-voting, Class B Common Stock ("Class B Common Stock"). The Class B Common Stock may be converted by the Company into shares of Common Stock on a one-for-one basis, and it is automatically convertible into shares of

Common Stock on a one-for-one basis upon a change of control or upon any of the Company's other securities becoming eligible to be publicly traded. In the case of dissolution Class B Common Stock is subordinate to all other shareholders. No Class B Common Stock was outstanding at December 31, 2009.

Preferred Stock - The Company has authorized 30,000,000 shares of no par value, non-voting Preferred Stock, including 10,000,000 shares designated Class A Preferred Stock and 10,000,000 shares designated Class B Preferred Stock. The Class A and Class B Preferred Stock carry liquidation preferences above the Common Shareholders and are subject to any superior rights given to holders of any other series of Preferred Stock. The Class A and Class B Preferred Stock are convertible on a one-for-one basis into shares of Common Stock at any time at the option of the Shareholder or the Company, and they are automatically convertible on the same basis upon the Common Stock becoming eligible to be publicly traded. No Preferred Stock was outstanding at December 31, 2009.

Treasury Stock – Pursuant to the terms of the settlement agreement described in Note 8, the Company reacquired 38,924,999 shares of Common Stock for aggregate consideration of $292,824.

NOTE 7: RELATED PARTY TRANSACTIONS

Operating Leases

Through October 31, 2009, the Company leased office space from a related party. Rent expense under this lease during 2009 was approximately $33,000 and is included in selling, general and administrative expenses in the statement of operations.

Effective November 1, 2009, the Company entered into a lease for office and warehouse space from a second related party under a non-cancelable operating lease that expires October 31, 2012. Rent expense under this lease during 2009 was approximately $8,000 and is included in selling, general and administrative expenses in the statement of operations. As of December 31, 2009, there were no outstanding accounts payable related to this lease.

At December 31, 2009, aggregate future minimum lease payments under the non-cancelable operating lease was approximately $68,000, including approximately $23,000, $24,000 and $21,000 for the years ending December 31, 2010, 2011 and 2012, respectively.

Management Fees

During 2009, the Company incurred expenses for management and administrative services provided by a related entity. The fees for these services totaled $60,000 during the year ended December 31, 2009. These expenses are included in selling, general and administrative expenses in the statement of operations. As of December 31, 2009, accounts payable related to these management services totaled $60,000.

During 2009, the Company incurred expenses for accounting services provided by a different related entity. The aggregate expense incurred for these services totaled approximately $39,000 during the year ended December 31, 2009. These expenses are included in selling, general and administrative expenses in the statement of operations. As of December 31, 2009, accounts payable related to these accounting services totaled $3,455.

Distribution Agreement

The Company had a distribution agreement with a shareholder to distribute a specific product. This agreement was terminated effective May 29, 2009 pursuant to the settlement agreement described in Note 8, below. The distribution agreement required royalty payments of 6.5% of net sales of this product. Royalty expense incurred during the year ending December 31, 2009 was $6,900 through the May 29, 2009 termination date. Total royalties payable under the distribution agreement as of May 29, 2009 totaled $41,042, and were paid to the shareholder during 2009 as part of the settlement agreement described in Note 8.

NOTE 8: LEGAL PROCEEDINGS

On February 20, 2009, the Company was made a defendant to a lawsuit filed by one of its shareholders to inspect certain records of the Company. No monetary relief was sought other than reimbursement of attorney fees, and the suit was dismissed on July 27, 2009 pursuant the terms of the settlement agreement described below.

In addition to the May 29, 2009 termination of the distribution agreement described in Note 7, on July 7, 2009, the Company entered into a Securities Purchase and Settlement Agreement (the "Settlement Agreement") with the shareholder described in Note 7. The terms of the Settlement Agreement include, a) the Company acquired the 38,924,999 shares of the Company's Common Stock held by the shareholder for aggregate consideration of $333,866 in cash, b) the shareholder dismissed the lawsuit described above, and c) the Company and shareholder executed mutual limited releases of liability, including, but not limited to all then-outstanding royalties payable pursuant to the distribution agreement.

In accordance with GAAP, $41,042 of the $333,866 aggregate consideration described above was accounted for as payment of outstanding royalty obligations, and $292,824 was accounted for as acquisition of Treasury Stock (see Note 6).

NOTE 9: GAIN ON SALE OF INVESTMENTS

During 2009, the Company recognized a $220,943 gain on the sale of certain stock held as a long-term investment. The Company acquired the stock pursuant to the 2007 spin-off of its respiratory products business. The stock was carried at cost and valued at $51,508. The Company still holds 261,111 shares that are restricted pursuant to a stock repurchase agreement. These remaining shares are valued at $261 and are included in other assets in the accompanying financial statements.

Exhibit 99.2

BioZone Pharmaceuticals, Inc.
Introduction To Pro Forma Condensed
Combined Financial Statements
(Unaudited)

The following unaudited pro forma condensed combined financial statements give effect to the acquisition by BioZone Inc. (the "Company") of substantially all of the assets of Aero Pharmaceuticals, Inc. ("Aero") and the assumption of substantially all its liabilities.

On April 6, 2011, the Company acquired substantially all of the assets and assumed the liabilities of Aero pursuant to an Asset Purchase Agreement. The Company's former owners remain as controlling stockholders following the transaction. Accordingly, the acquisition of Aero's assets is being accounted for under the acquisition method of accounting for the purposes of this Current Report on Form 8-K. The Company is deemed the acquirer for financial reporting purposes and Aero is deemed the acquired company. Consequently, the future financial statements of the Company will include the assets, liabilities and operations of Aero from the date of acquisition. The purchase price of Aero will be allocated to the fair value of the tangible and intangible assets acquired and liabilities assumed. Any excess cost will be accounted for as goodwill. The unaudited pro forma information is presented for illustration purposes only in accordance with the assumptions set forth below and in the notes to the pro forma condensed combined financial statements.

The unaudited pro forma condensed combined balance sheet as of December 31, 2010 combines the balance sheets of the Company and Aero and gives pro forma effect to the above transaction as if it happened on the balance sheet date. The unaudited pro forma condensed combined statements of operations for the years ended December 31, 2009 and 2010 combine the statement of operations of the Company and Aero for each of those periods and give pro forma effect to these transactions as if they were completed on January 1, 2009 and January 1, 2010, respectively.

The unaudited pro forma balance sheet and statements of operations should be read in conjunction with the separate historical financial statements of Aero appearing elsewhere herein, and the historical financial statements of the Company, as filed with the Securities and Exchange Commission and issued in Form 10K for the year ended December 31, 2010. These pro forma condensed combined financial statements may not be indicative of what would have occurred if the acquisition had actually occurred on the indicated dates and they should not be relied upon as an indication of future results of operations.

Biozone Pharmaceuticals, Inc
Proforma Balance Sheet
December 31, 2010

ASSETS	Biozone	Aero Pharmaceuticals, Inc.	Proforma Adjustments	Proforma
Current Assets:				
Cash and cash equivalents	$ 22,778	$ 850,444		$ 873,222
Accounts receivable		25,644		25,644
Inventories		43,520		43,520
Other Current Assets		40,412		40,412
Total current assets	22,778	960,020	-	982,798
Property and Equipment, net	5,260	3,819		9,079
Goodwill			6,824,570 (B)	6,824,570
Investment in Aero Pharmaceuticals			7,500,000 (A)	
			(7,500,000) (B)	-
Investment in Real Property	61,335			61,335
Total Assets	**$ 89,373**	**$ 963,839**	**$ 6,824,570**	**$ 7,877,782**
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)				
Current Liabilities:				
Accounts payable and accrued liabilities	$ 82,443	$ 9,949		92,392
Royalties payable		278,460		278,460
Total current liabilities	82,443	288,409	-	370,852
STOCKHOLDERS' EQUITY (DEFICIT)				
Common stock	3,770	8,839,396	5,000 (A)	42,698
			(8,839,396) (B)	
			(33,928) (C)	
Additional paid-in capital	211,030	-	7,495,000 (A)	7,672,102
			(33,928) (C)	
Accumulated deficit	(204,335)	(7,871,142)	7,871,142 (B)	(204,335)
Treasury Stock		(292,824)	292,824 (B)	-
Total stockholders' equity	10,465	675,430	6,819,570	7,510,465
Non-Controlling interest	3,535			3,535
Stockholders Equity	6,930	675,430	6,819,570	7,506,930
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	**$ 89,373**	**$ 963,839**	**$ 6,819,570**	**$ 7,877,782**

Notes

(A) Issuance of 7,500,000 shares of Biozone Pharmacueticals, Inc. common stock for the acquisition of all of the outstanding common stock of Aero Pharmaceuticals. The stock was valued at $1 per share, based on concurrent issuances by Biozone.

(B) Consolidation of Aero Pharmaceuticals. For the purposes of this proforma, all assets and liabilities of Aero were valued at book value, and the excess cost over the assets acquired is recorded as goodwill. The company will value the identifiable tangible and intangible assets acquired and liabilities assumed, with the remaining excess recorded to goodwill within the prescribed one year period

(C) Allocation between Common Stock and Additional Paid-in capital resulting from a ten-to-one forward Stock split

Biozone Pharmaceuticals, Inc
Proforma Statement of Operations
Year Ended December 31, 2010

	Biozone	Aero Pharmaceuticals, Inc	Proforma Adjustments	Proforma
Revenue	$ -	$ 295,379		$ 295,379
Operating Expenses				
Cost of Sales	-	143,690		143,690
Selling geneal and administrative	49,410	219,902		269,312
Interest expense		32,484		32,484
	49,410	396,076	-	445,486
Net Loss	(49,410)	(100,697)	-	(150,107)
Add: Net loss attributable to noncontrolling interest	932			932
Net loss attributable to the Company	(48,478)	(100,697)	-	(149,175)
Net loss per common share - basic and diluted	(0.00)			(0.00)
Weighted average of common shares - basic and diluted	37,698,000			42,698,000

Exhibit 99.3

BIOZONE PHARMACEUTICALS, INC.
ACQUIRES BAKER-CUMMINS DERMATOLOGICAL PRODUCTS
FROM AERO PHARMACEUTICALS, INC.

May 19, 2011; Miami, Florida – BioZone Pharmaceuticals, Inc. (OTCBB: BZNE) announced today that it has acquired the assets and assumed the liabilities of Aero Pharmaceuticals, Inc. ("Aero"), a dermatological company founded by Dr. Phillip Frost, Chairman of OPKO Health Inc. and Teva Pharmaceuticals, Inc. Aero develops and markets the Baker-Cummins line of proprietary scalp and skin care products used to treat commonly seen dry skin and scalp conditions. The well known brands of P&S Liquid, P&S Shampoo, Ultra Mide 25 Lotion, X-Seb T Pearl and X-Seb T Plus have been recommended by dermatologists for over 20 years.

Recently, BioZone Pharmaceuticals announced that it entered into a binding option and letter of intent with the BioZone Laboratories family of companies to purchase all of their issued and outstanding stock. Also, BioZone Pharmaceuticals recently sold $2.25 million of promissory notes, a portion of which will be advanced to BioZone Laboratories.

BioZone Laboratories, a specialty pharmaceutical company founded in 1989, has a robust drug pipeline addressing unmet medical needs in significant markets. BioZone Laboratories develops, manufactures and markets drugs, using its patented QuSome™ technology platform to enhance drug solubility.

BioZone Laboratories co-founder Brian Keller stated, "Our QuSome™ technology has tremendous potential for improving dermatological products by enhancing absorption. We intend to capitalize on the well established Aero/Baker-Cummins franchise and product portfolio by expanding distribution and developing line extensions that combine Baker Cummins products' unique formulations with QuSomes™. We also have our own line of QuSome dermatology products, which will be marketed under the Baker Cummins label going forward. This business combination represents the first of many opportunities to expand the use of our QuSome technology™ by adding a valuable product line to our portfolio."

Safe Harbor Statement

The information presented in this news release constitutes "forward-looking statements" as such term is used in applicable United States securities laws. These statements relate to analyses and other information that are based on forecasts of future results, estimates of amounts not yet determinable and assumptions of management. Any other statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, using words or phrases such as "expects" or "does not expect", "is expected", "anticipates" or "does not anticipate", "plans, "estimates" or "intends", or stating that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved) are not statements of historical fact and should be viewed as "forward-looking statements". Such forward looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such risks and other factors include, among others, the actual results of research activities, assumptions associated with the use and efficacy of drugs and formulations, the ability to market, produce and sell drugs, risks relating to product and customer demand, market acceptance of our products, the effect of economic conditions both nationally and internationally, the ability to protect our intellectual property rights, the impact of any litigation or infringement actions brought against us, competition for other providers and products, risks inherent in product and drug development, regulatory approval and compliance with applicable laws, rules and regulations governing our manufacturing and facilities, availability of capital to fund our research and development programs and for continuing operations, the ability to complete transactions, and the resulting dilution caused by the raising of capital through the sale of shares, exercises of options and warrants and the additional disclosures under the heading "Risk Factors" which appear in our reports and filings with the United States Securities and Exchange Commission which can be accessed at www.sec.gov. Although we have attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements contained in this news release and in any document referred to in this news release.

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